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TOWN OF INDEPENDENCE, LOUISIANA

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

As of and for the year ending
June 30, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/4/09

Anthony B. Baglio, C.P.A.
A Professional Accounting Corporation
Hammond, Louisiana

Town of Independence, Louisiana
Annual Financial Statements
Fiscal Year Ended June 30, 2008
With Supplemental Information Schedules
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ANTHONY B BAGLIO CPA
A PROFESSIONAL ACCOUNTING CORPORATION
2011 RUE SIMONE
HAMMOND, LOUISIANA 70403
PHONE: 985-542-4155 FAX: 985-542-4186

Independent Auditor's Report

The Honorable Michael A. Ragusa, Mayor
and Members of the Board of Aldermen
Independence, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Independence, Louisiana, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. I also have audited the financial statements of each of the Town's non-major governmental funds presented in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as well as the aggregate non-major governmental funds of the Town of Independence, Louisiana, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 10, 2008, on my consideration of the Town of Independence's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my tests of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The Honorable Michael A. Ragusa
And Members of the Board of Aldermen
Town of Independence, Louisiana

The management's discussion and analysis information on pages 4 through 8 and the required supplemental information (Part II) in schedules 1 - 4 on pages 46 - 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Independence, Louisiana's basic financial statements. The accompanying financial information, except for the schedule of insurance coverage in force (unaudited), listed in the table of contents as other supplemental information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of insurance coverage in force (unaudited) has not been subjected to auditing procedures applied by me in the audit of the basic financial statements and, accordingly, I express no opinion on it.

Respectfully submitted,



Anthony B. Baglio, CPA
A Professional Accounting Corporation
Hammond, Louisiana
December 10, 2008

Management's Discussion and Analysis

Town of Independence, Louisiana
Management's Discussion and Analysis
June 30, 2008

As management of the Town of Independence, Louisiana ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2008. This management's discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the Town's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

Financial Highlights

- Total assets for the year were \$7,536,967 at June 30, 2008, and exceeded liabilities in the amount of \$6,550,238 (i.e., net assets). Of the total net assets, \$1,985,054 was unrestricted and available to support short-term operations, \$3,638,505 invested in capital assets, with the balance reserved for debt service and economic development.
- The Town's total revenues for the year decreased from the prior year by 9.35%, from \$1,984,370 to \$1,798,776. The primary source of this decrease was due to a large insurance recovery payment during the prior year resulting from the destruction of a Head Start Building owned by the Town. Construction to rebuild the Head Start Building has not begun as of June 30, 2008.
- Expenditures for the year were slightly higher when compared to prior year amounts. Total expenditures increased by \$189,777 from the prior year, from \$1,509,490 to \$1,699,267.

Overview of the Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of the Town's financial condition and performance.

The financial statements report information on the Town using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the nature and amount of the Town's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the Town and assessing the liquidity and financial flexibility of the Town.

The Statement of Activities accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of the Town's operations in a format that can be used to determine if the Town has recovered its costs through user fees and other charges.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the Town's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operation of the Town, and schedules detailing audit findings and management response.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2008

Government-Wide Financial Analysis

The purpose of financial analysis is to help determine whether the Town is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Assets and the Statement of Activities, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of the Town. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Condensed Statement of Net Assets

	2008	2007	\$ Change	% Change
Assets				
Current and Other Assets	\$ 2,997,133	\$ 2,783,738	\$ 213,395	7.67%
Capital Assets	4,539,834	4,733,612	(193,778)	-4.09%
Total Assets	<u>\$ 7,536,967</u>	<u>\$ 7,517,350</u>	<u>\$ 19,617</u>	0.26%
Liabilities				
Current Liabilities	\$ 85,400	\$ 85,740	\$ (340)	-0.40%
Long-Term Debt	901,329	980,881	(79,552)	-8.11%
Total Liabilities	<u>\$ 986,729</u>	<u>\$ 1,066,621</u>	<u>\$ (79,892)</u>	-7.49%
Net Assets				
Invested in Capital Assets	\$ 3,638,505	\$ 3,752,731	\$ (114,226)	-3.04%
Restricted for Debt Service	213,727	202,956	10,771	5.31%
Restricted for Development	712,952	692,800	20,152	2.91%
Unrestricted Net Assets	1,985,054	1,802,242	182,812	10.14%
Total Net Assets	<u>\$ 6,550,238</u>	<u>\$ 6,450,729</u>	<u>\$ 99,509</u>	1.54%

The Town's assets exceeded its liabilities at the close of the most recent fiscal year by \$6,550,238 (net assets). Of this amount, \$1,985,054 are unrestricted net assets. The Town's net assets are comprised of \$3,401,012 from Governmental Activities and \$3,149,226 from Business-Type Activities as shown on Exhibit A.

By far the largest portion of the Town's net assets (55.54 percent) reflects its investment in capital assets (e.g., land, buildings, machinery & equipment, vehicles, Town infrastructure, etc.), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (14.14 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,985,054) may be used to meet the government's ongoing obligations to citizens and creditors.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2008

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Condensed Statement of Activities

	<u>2008</u>	<u>2007</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program Revenues:				
Charges for Services	\$ 470,410	\$ 420,132	\$ 50,278	11.97%
Grants	65,121	211,592	(146,471)	-69.22%
General Revenues:				
Taxes	896,631	885,660	10,971	1.24%
Other	366,614	466,986	(100,372)	-21.49%
Total Revenues	\$ 1,798,776	\$ 1,984,370	\$ (185,594)	-9.35%
Expenses:				
Governmental Activities	\$ 1,240,475	\$ 1,036,569	\$ 203,906	19.67%
Business-Type Activities	458,792	472,921	(14,129)	-2.99%
Total Expenses	\$ 1,699,267	\$ 1,509,490	\$ 189,777	12.57%
Change in Net Assets	\$ 99,509	\$ 474,880	\$ (375,371)	-79.05%
Net Assets, Beginning of the Year	\$ 6,450,729	\$ 5,975,849	\$ 474,880	7.95%
Net Assets, End of the Year	\$ 6,550,238	\$ 6,450,729	\$ 99,509	1.54%

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Activities provides answers to the nature and scope of these changes. The above table gives an indication of how the Town is being conservatively managed. Total "Program Revenues" decreased by \$96,193 (15.22%). General Revenues, consisting of taxes, occupational licenses, interest income, and other revenues decreased by \$89,401 reflecting primarily the insurance proceeds received from the Head Start Building in the prior year. Total expenses increased by \$189,777 from the prior fiscal year. Overall, the Town showed an income of \$99,509 for the fiscal year ended June 30, 2008, as compared to \$474,880 for the fiscal year ended June 30, 2007.

Budgetary Highlights

The Town adopts an annual operating budget in accordance with the appropriate provisions of Louisiana laws. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the Town. The operating budget is adopted before the end of the prior fiscal year, and is amended after a review of monthly budget-to-actual financial reports, by approval of the Board of Aldermen. A summary of the approved budget for the Town's General Fund is presented below in condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as part of the basic financial statements, a more detailed schedule is also presented in Schedule 1 as supplementary information, following the footnotes to the financial statements.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2008

	Final Amended Budget for June 30, 2008	Actual for June 30, 2008	Favorable (Unfavorable) Variance
Revenues:			
Taxes - Ad Valorem	\$ 165,000	\$ 145,314	\$ (19,686)
Licenses and Permits	184,000	211,571	27,571
Intergovernmental	34,750	30,220	(4,530)
Fines and Forfeitures	30,000	49,597	19,597
Solid Waste	85,000	88,719	3,719
On-behalf Payments by State	14,400	19,078	4,678
Miscellaneous	8,200	36,042	27,842
Total Revenues	521,350	580,541	59,191
Expenditures:			
Current:			
General Government	321,389	342,378	(20,989)
Public Safety - Fire	155,453	169,911	(14,458)
Public Safety - Police	247,190	272,635	(25,445)
Streets and Parks	229,941	217,933	12,008
Solid Waste	97,500	109,899	(12,399)
Other	5,000	4,309	691
Capital Outlay	55,000	28,198	26,802
Total Expenditures	1,111,473	1,145,263	(33,790)
Other Financing Sources (Uses):			
Sale of Property	157,000	157,000	-
Sales Tax Fund (1966)	245,000	245,000	-
Sales Tax Fund (1982)	200,000	165,000	(35,000)
Water and Sewer Fund	49,400	60,104	10,704
Loan from Innovative Housing Fund	(4,800)	(2,400)	2,400
Total Other Financing Sources (Uses)	646,600	624,704	(21,896)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ 56,477	\$ 59,982	\$ 3,505

Collections of "Ad Valorem Taxes" were below budgeted amounts by \$19,686, or approximately 12% for each of the Town's millage rates. This amount was in line with prior year actual amounts, although an increase was budgeted primarily due to an expected increase in taxes in the continuing aftermath of Hurricane Katrina. "Licenses and Permits" exceeded budgeted amounts due to large increases in Occupational Licenses and Public Utility Franchise Fees received during the year. Most expenditure categories were over budget, but these differences were offset by "Capital Outlay" being under budget at the end of the year. This was due to several planned capital outlay projects that did not take place. Overall activity for the year exceeded budgeted projections by \$3,505.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2008

Supplemental Information

Combining statements of the non-major Governmental Funds (LCDBG Economic Development Fund, Certificates of Indebtedness Series 2000, and Sales Tax Refunding Bonds Series 1994) have been provided on Schedule 5 and Schedule 6.

Capital Asset and Debt Administration

1. Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2008 amounts to \$4,539,834 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. Additional information on the Town's capital assets can be found in Note 5 of this report.

2. Long-Term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$901,329. Of this amount, \$43,000 comprises debt backed by a pledge of the excess revenues of the General Fund and \$858,329 payable from a pledge of the Town's sewer revenues.

The Town's total debt decreased \$79,552 during the current fiscal year. Total principal payments were made on debt in the amount of \$79,552.

Additional information on the Town's long-term debt can be found in Note 8 of this report.

Future Economic Factors and Next Year's Budget

As noted in the government activities section above, sales taxes were the Town's largest revenue source. For fiscal year ending June 30, 2009, there was a budgeted revenue increase in sales tax over the June 30, 2008 fiscal year as a result of increased sales tax collections over the prior year.

At the present time, local governments are experiencing continuing increases in the cost of their share of employee retirement. Nationwide, most public employee retirement systems share this problem. Although municipal retirement and police retirement rates are not expected to increase during the next fiscal year, the rates continue to be at very high levels.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Robin Dagro, Town Clerk, P.O. Box 35, Independence, Louisiana 70443.

Basic Financial Statements

Town of Independence, Louisiana
Statement of Net Assets
June 30, 2008
(With Comparative Totals as of June 30, 2007)

Exhibit A

	Governmental	Business-Type	Totals	
	Activities	Activities	2008	2007
Assets				
Cash & Cash Equivalents	\$ 1,034,081	\$ 351,447	\$ 1,385,528	\$ 1,340,993
Investments	826,531	36,466	862,997	679,662
Receivables, Net	471,413	56,893	528,306	561,280
Due from Other Governments	1,016	-	1,016	1,131
Internal Balances	26,195	(26,195)	-	-
Prepaid Insurance	5,415	-	5,415	5,745
Restricted Cash and				
Cash Equivalents	-	142,022	142,022	125,233
Restricted Investments	-	71,849	71,849	69,694
Capital Assets, Net	1,121,006	3,418,828	4,539,834	4,733,612
Total Assets	\$ 3,485,657	\$ 4,051,310	\$ 7,536,967	\$ 7,517,350
Liabilities				
Accounts Payable	\$ 34,491	\$ 255	\$ 34,746	\$ 37,570
Accrued Liabilities	7,154	-	7,154	12,675
Utility Deposits	-	43,500	43,500	35,495
Current Portion of				
Long-Term Obligations	43,000	14,282	57,282	79,551
Non-Current Portion of				
Long-Term Obligations	-	844,047	844,047	901,330
Total Liabilities	\$ 84,645	\$ 902,084	\$ 986,729	\$ 1,066,621
Net Assets				
Invested in Capital Assets,				
Net of Related Debt	\$ 1,078,006	\$ 2,560,499	\$ 3,638,505	\$ 3,752,731
Restricted for Debt Service	57,638	156,089	213,727	202,956
Restricted for Development	712,952	-	712,952	692,800
Unrestricted	1,552,416	432,638	1,985,054	1,802,242
Total Net Assets	\$ 3,401,012	\$ 3,149,226	\$ 6,550,238	\$ 6,450,729

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Activities
For the Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

Exhibit B

Functions / Programs	Program Revenues				Net (Expense) Revenue 2008	Net (Expense) Revenue 2007
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
General Government	\$ 362,327	\$ 17,446	\$ 7,457	\$ -	\$ (337,424)	\$ (218,126)
Public Safety	470,164	49,597	35,664	-	(384,903)	(329,306)
Streets and Parks	289,202	-	-	-	(289,202)	(262,257)
Solid Waste	109,899	88,719	-	-	(21,180)	(2,736)
Other	4,309	-	-	-	(4,309)	(4,361)
Interest on Long-Term Debt	4,574	-	-	-	(4,574)	(7,923)
Total Governmental Activities	\$ 1,240,475	\$ 155,762	\$ 43,121	\$ -	\$ (1,041,592)	\$ (824,709)
Business-Type Activities:						
Water	\$ 157,764	\$ 159,466	\$ -	\$ 22,000	\$ 23,702	\$ (8,746)
Sewer	301,028	155,182	-	-	(145,846)	(44,311)
Total Business-Type Activities	\$ 458,792	\$ 314,648	\$ -	\$ 22,000	\$ (122,144)	\$ (53,057)
Total Primary Government	\$ 1,699,267	\$ 470,410	\$ 43,121	\$ 22,000	\$ (1,163,736)	\$ (877,766)

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Activities (Continued)
For the Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

Exhibit B
(Continued)

	Governmental Activities	Business- Type Activities	<u>Totals</u>	
			2008	2007
Changes in Net Assets:				
Net (Expense) Revenue	\$ (1,041,592)	\$ (122,144)	\$ (1,163,736)	\$ (877,766)
General Revenues:				
Taxes:				
Property Taxes	\$ 145,314	\$ -	\$ 145,314	\$ 140,217
Franchise Taxes	77,223	-	77,223	70,876
Sales Taxes	534,430	133,487	667,917	670,547
Other Taxes	6,177	-	6,177	4,020
Occupational Licenses	116,902	-	116,902	131,293
Rental Income	1,200	-	1,200	9,200
Investment Earnings	60,655	15,013	75,668	89,956
Transfers	60,104	(60,104)	-	-
Sale of Property	157,000	-	157,000	231,228
Miscellaneous	14,835	1,009	15,844	5,309
Total General Revenues and Transfers	<u>\$ 1,173,840</u>	<u>\$ 89,405</u>	<u>\$ 1,263,245</u>	<u>\$ 1,352,646</u>
 Change in Net Assets	 \$ 132,248	 \$ (32,739)	 \$ 99,509	 \$ 474,880
 Net Assets - Beginning of the Year	 <u>\$ 3,268,764</u>	 <u>\$ 3,181,965</u>	 <u>\$ 6,450,729</u>	 <u>\$ 5,975,849</u>
 Net Assets - End of the Year	 <u>\$ 3,401,012</u>	 <u>\$ 3,149,226</u>	 <u>\$ 6,550,238</u>	 <u>\$ 6,450,729</u>

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Balance Sheet
Governmental Funds
June 30, 2008

(With Comparative Totals as of June 30, 2007)

	General Fund	1% Sales Tax (1966)	1% Sales Tax (1982)	Innovative Housing	Non-Major Funds	Total Governmental Funds 2008	Total Governmental Funds 2007
Assets							
Cash	\$ 326,419	\$ 267,356	\$ 276,854	\$ 98,481	\$ 64,971	\$ 1,034,081	\$ 1,016,965
Investments	254,834	119,772	175,013	214,271	62,641	826,531	644,437
Receivables, Net	-	-	-	-	-	-	-
Ad Valorem Taxes	-	-	-	-	-	-	30
Franchise Taxes	18,851	-	-	-	-	18,851	24,032
Sales Taxes	-	47,817	47,817	-	-	95,634	98,380
Notes	-	-	-	336,678	-	336,678	367,456
Other Receivables	18,240	333	410	781	486	20,250	9,298
Due from Other Governmental Units	1,016	-	-	-	-	1,016	1,131
Due from Other Funds	86,651	-	-	15,791	-	102,442	144,970
Advances to Other Funds	-	-	-	72,000	-	72,000	74,400
Total Assets	\$ 706,011	\$ 435,278	\$ 500,094	\$ 738,002	\$ 128,098	\$ 2,507,483	\$ 2,381,099
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	\$ 25,273	\$ -	\$ -	\$ -	\$ 1,071	\$ 26,344	\$ 35,974
Accrued Employee Leave	7,154	-	-	-	-	7,154	12,540
Due to Other Funds	38,165	-	15,643	21,383	856	76,247	86,388
Advance from Other Funds	72,000	-	-	-	-	72,000	74,400
Payroll Payable	7,529	-	-	-	-	7,529	845
Sales Tax Collection Fee Payable	-	309	309	-	-	618	636
Total Liabilities	\$ 150,121	\$ 309	\$ 15,952	\$ 21,583	\$ 1,927	\$ 189,892	\$ 210,783
Fund Balance							
Reserved for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 57,638	\$ 57,638	\$ 57,210
Reserved for Advances to Other Funds	-	-	-	72,000	-	72,000	74,400
Reserved for Development	-	-	-	644,419	68,533	712,952	692,800
Unreserved - Undesignated	555,890	434,969	484,142	-	-	1,475,001	1,345,906
Total Fund Balances	\$ 555,890	\$ 434,969	\$ 484,142	\$ 716,419	\$ 126,171	\$ 2,317,591	\$ 2,170,316
Total Liabilities and Fund Balances	\$ 706,011	\$ 435,278	\$ 500,094	\$ 738,002	\$ 128,098	\$ 2,507,483	\$ 2,381,099

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
For the Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

Exhibit C-1

	<u>2008</u>	<u>2007</u>
Fund Balances - Total Governmental Funds (Exhibit C)	\$ 2,317,591	\$ 2,170,316
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental Capital Assets	3,557,486	3,539,288
Less: Accumulated Depreciation	(2,436,480)	(2,337,450)
Prepaid insurance is not accrued and is therefore not reported in the governmental funds.		
Current Year Prepaid Insurance	5,415	5,745
Accrued interest on long-term debt is not accrued and is therefore not reported in the governmental funds.		
Current Year Accrued Interest	-	(135)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Certificate of Obligation	(43,000)	(84,000)
Sales Tax Refunding Bonds	-	(25,000)
Net Assets of Governmental Activities (Exhibit A)	<u>\$ 3,401,012</u>	<u>\$ 3,268,764</u>

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

	General Fund	1% Sales Tax (1966)	1% Sales Tax (1982)	Innovative Housing	Non-Major Funds	Total Governmental Funds
						2008
						2007
Revenues:						
Taxes	\$ 145,314	\$ 267,456	\$ 266,974	\$ -	\$ -	\$ 679,744
Licenses and Permits	211,571	-	-	-	-	211,571
Intergovernmental	30,220	-	-	-	-	30,220
Fines and Forfeitures	49,597	-	-	-	-	49,597
Solid Waste	88,719	-	-	-	-	88,719
On Behalf Payments by State	19,078	-	-	-	-	19,078
Miscellaneous	36,042	8,079	13,130	16,141	3,298	76,690
Total Revenues	\$ 580,541	\$ 275,535	\$ 280,104	\$ 16,141	\$ 3,298	\$ 1,155,619
						\$ 1,177,253
Expenditures:						
Current:						
General Government	\$ 342,378	\$ 4,725	\$ 4,724	\$ -	\$ 27	\$ 351,854
Public Safety	442,546	-	-	-	-	442,546
Streets and Parks	217,933	-	-	-	-	217,933
Solid Waste	109,899	-	-	-	-	109,899
Other	4,309	-	-	-	-	4,309
Capital Outlay	28,198	-	-	-	-	28,198
Debt Service:						
Principal	-	-	-	-	66,000	66,000
Interest	-	-	-	-	4,709	4,709
Total Expenditures	\$ 1,145,263	\$ 4,725	\$ 4,724	\$ -	\$ 70,736	\$ 1,225,448
						\$ 1,113,841
Excess (Deficiency) of Revenues Over Expenditures	\$ (564,722)	\$ 270,810	\$ 275,380	\$ 16,141	\$ (67,438)	\$ (69,829)
						\$ 63,412

(Continued)

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

Exhibit D
(Continued)

	General Fund	1% Sales Tax (1966)	1% Sales Tax (1982)	Innovative Housing	Non-Major Funds	Total Governmental Funds 2008	Total Governmental Funds 2007
Other Financing Sources (Uses):							
Sale of Property	\$ 157,000	\$ -	\$ -	\$ -	\$ -	\$ 157,000	\$ 300,632
Transfers In	470,104	-	-	-	69,477	539,581	486,472
Transfers Out	-	(245,000)	(234,477)	-	-	(479,477)	(456,119)
Total Other Financing Sources (Uses)	\$ 627,104	\$ (245,000)	\$ (234,477)	\$ -	\$ 69,477	\$ 217,104	\$ 330,985
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 62,382	\$ 25,810	\$ 40,903	\$ 16,141	\$ 2,039	\$ 147,275	\$ 394,397
Fund Balance - Beginning of the Year	\$ 493,508	\$ 409,159	\$ 443,239	\$ 700,278	\$ 124,132	\$ 2,170,316	\$ 1,775,919
Fund Balance - End of the Year	\$ 555,890	\$ 434,969	\$ 484,142	\$ 716,419	\$ 126,171	\$ 2,317,591	\$ 2,170,316

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

Exhibit D-1

	<u>2008</u>	<u>2007</u>
Net Change in Fund Balances - Total Governmental Funds (Exhibit D)	\$ 147,275	\$ 394,397

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation charged exceeded capital outlay in the current period.

Depreciation Expense	(109,030)	(101,637)
Capital Outlay	28,198	111,974

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	-	(69,404)
--	---	----------

Governmental funds expense insurance payments when paid. In the statement of activities, only the portion applicable to the current year is expensed. The remaining is recorded in the statement of net assets as prepaid insurance.

Prior Year Prepaid Insurance	(5,745)	(965)
Current Year Prepaid Insurance	5,415	5,745

Governmental funds expense interest payments on long-term debt when paid. In the statement of activities, the total interest applicable to the current year is expensed. As a result, accrued interest is expensed in the statement of activities.

Prior Year Accrued Interest	135	290
Current Year Accrued Interest	-	(135)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds because:

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Proceeds	-	-
Repayments	<u>66,000</u>	<u>62,000</u>
Change in Net Assets of Governmental Activities (Exhibit B)	<u>\$ 132,248</u>	<u>\$ 402,265</u>

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Net Assets
Proprietary Funds
June 30, 2008
(With Comparative Totals as of June 30, 2007)

Exhibit E

	Business-Type Activities -			
	Enterprise Funds		Totals	
	Water	Sewer	2008	2007
Assets				
Current Assets:				
Cash	\$ 77,059	\$ 274,388	\$ 351,447	\$ 324,028
Investments	36,466	-	36,466	35,225
Receivables:				
Accounts Receivable, Net	32,678	(113)	32,565	36,833
Accrued Interest Receivable	239	181	420	656
Sales Tax Receivable	-	23,908	23,908	24,595
Due from Other Funds	17,916	20,987	38,903	38,903
Total Current Assets	\$ 164,358	\$ 319,351	\$ 483,709	\$ 460,240
Restricted Assets:				
Cash - \$975,000 Revenue Bond Debt				
Service and Contingency Account	\$ -	\$ 98,522	\$ 98,522	\$ 89,738
Investments - \$975,000 Revenue Bond				
Debt Service and Contingency	-	71,849	71,849	69,694
Cash - Utility Customer - Deposit Account	43,500	-	43,500	35,495
Total Restricted Assets	\$ 43,500	\$ 170,371	\$ 213,871	\$ 194,927
Plant and Equipment, at Cost	\$ 1,841,983	\$ 3,802,740	\$ 5,644,723	\$ 5,632,723
Less: Accumulated Depreciation	924,954	1,300,941	2,225,895	2,100,949
Plant and Equipment, Net	\$ 917,029	\$ 2,501,799	\$ 3,418,828	\$ 3,531,774
Total Assets	\$ 1,124,887	\$ 2,991,521	\$ 4,116,408	\$ 4,186,941

The accompanying notes are an integral part of this statement.

(Continued)

Town of Independence, Louisiana
Statement of Net Assets
Proprietary Funds
June 30, 2008
(With Comparative Totals as of June 30, 2007)

Exhibit E
(Continued)

	Business-Type Activities -		Totals	
	Enterprise Funds			
	Water	Sewer	2008	2007
Liabilities and Net Assets				
Liabilities:				
Current Liabilities (Payable from				
Current Assets):				
Accounts Payable	\$ 101	\$ -	\$ 101	\$ (44)
Due to Other Funds	69,556	(4,458)	65,098	97,485
Sales Tax Collection Fee Payable	-	154	154	159
Total Current Liabilities				
(Payable from Current Assets)	\$ 69,657	\$ (4,304)	\$ 65,353	\$ 97,600
Current Liabilities (Payable from				
Restricted Assets):				
Revenue Bonds Payable	\$ -	\$ 14,282	\$ 14,282	\$ 13,551
Utility Customer Deposits	43,500	-	43,500	35,495
Total Current Liabilities				
(Payable from Restricted Assets)	\$ 43,500	\$ 14,282	\$ 57,782	\$ 49,046
Long-Term Liabilities:				
Revenue Bonds Payable	\$ -	\$ 844,047	\$ 844,047	\$ 858,330
Total Long-Term Liabilities	\$ -	\$ 844,047	\$ 844,047	\$ 858,330
Total Liabilities	\$ 113,157	\$ 854,025	\$ 967,182	\$ 1,004,976
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 917,029	\$ 1,643,470	\$ 2,560,499	\$ 2,659,893
Reserved for Revenue Bond Retirement	-	156,089	156,089	145,881
Unreserved - Undesignated	94,701	337,937	432,638	376,191
Total Net Assets	\$ 1,011,730	\$ 2,137,496	\$ 3,149,226	\$ 3,181,965
Total Liabilities and Net Assets	\$ 1,124,887	\$ 2,991,521	\$ 4,116,408	\$ 4,186,941

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

Exhibit F

	Business-Type Activities -		Totals	
	Enterprise Funds		2008	2007
	Water	Sewer		
Operating Revenues:				
Water and Other Services	\$ 146,988	\$ 148,582	\$ 295,570	\$ 286,950
Delinquent Charges	7,978	-	7,978	7,168
Connection Fees	4,500	6,600	11,100	2,750
Total Operating Revenues	\$ 159,466	\$ 155,182	\$ 314,648	\$ 296,868
Operating Expenses:				
Salaries and Employee Benefits	\$ 40,059	\$ 39,763	\$ 79,822	\$ 90,571
Office Expense	2,558	17	2,575	3,440
Repairs and Maintenance	35,493	24,802	60,295	68,064
Fuel for Equipment	357	371	728	3,323
Operating Supplies	-	-	-	998
Utilities	27,858	56,741	84,599	83,835
Insurance	1,631	2,441	4,072	4,836
Professional Fees	2,004	25,627	27,631	26,098
Treatment Plant Expense	10,241	20,727	30,968	22,355
Depreciation	34,375	90,571	124,946	122,913
Sales Tax Collector Fee Expense	-	862	862	866
Bad Debts	2,108	-	2,108	5,842
Miscellaneous	1,080	1	1,081	173
Total Operating Expenses	\$ 157,764	\$ 261,923	\$ 419,687	\$ 433,314
Net Operating Income (Loss)	\$ 1,702	\$ (106,741)	\$ (105,039)	\$ (136,446)
Nonoperating Income (Expense):				
Investment Interest	\$ 4,192	\$ 10,821	\$ 15,013	\$ 21,727
Interest Expense	-	(39,105)	(39,105)	(39,607)
Dedicated Sales Tax Revenue (1/2% 1980 Tax)	-	133,487	133,487	134,187
Miscellaneous Income	934	75	1,009	111
Total Non-Operating Revenues (Expenses)	\$ 5,126	\$ 105,278	\$ 110,404	\$ 116,418
Transfers In / (Out)	\$ (60,104)	\$ -	\$ (60,104)	\$ (30,353)
Capital Contributions - Grants	22,000	-	22,000	122,996
Change in Net Assets	\$ (31,276)	\$ (1,463)	\$ (32,739)	\$ 72,615
Net Assets - Beginning of the Year	\$ 1,043,006	\$ 2,138,959	\$ 3,181,965	\$ 3,109,350
Net Assets - End of the Year	\$ 1,011,730	\$ 2,137,496	\$ 3,149,226	\$ 3,181,965

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

Exhibit G
(Continued)

	Business-Type Activities -		Totals	
	Enterprise Funds			
	Water	Sewer	2008	2007
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 154,148	\$ 160,552	\$ 314,700	\$ 275,847
Payments to Suppliers	(81,077)	(131,589)	(212,666)	(215,449)
Payments to Employees	(40,059)	(39,763)	(79,822)	(90,571)
Other Receipts (Payments)	10,253	778	11,031	9,035
Net Cash Provided by (Used in) Operating Activities	\$ 43,265	\$ (10,022)	\$ 33,243	\$ (21,138)
Cash Flows From Noncapital Financing Activities:				
(Increase) Decrease in Due from Other Funds	\$ -	\$ -	\$ -	\$ 5,212
Increase (Decrease) in Due to Other Funds	(940)	(31,447)	(32,387)	58,492
Transfers to Other Funds	(60,104)	-	(60,104)	(30,353)
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ (61,044)	\$ (31,447)	\$ (92,491)	\$ 33,351
Cash Flows From Capital and Related Financing Activities:				
Construction of Capital Assets	\$ (12,000)	\$ -	\$ (12,000)	\$ (176,171)
Dedicated Sales Tax Revenue (1/2% 1980 Tax)	-	133,487	133,487	134,187
Miscellaneous Non-Operating Income	934	75	1,009	111
Revenue Bond Principal Paid on Capital Debt	-	(13,552)	(13,552)	(13,057)
Interest Paid on Capital Debt	-	(39,105)	(39,105)	(39,607)
Capital Grants Received	22,000	-	22,000	122,996
Net Cash Provided by Capital and Related Financing Activities	\$ 10,934	\$ 80,905	\$ 91,839	\$ 28,459
Cash Flows From Investing Activities:				
Interest Earned on Investments	\$ 4,192	\$ 10,821	\$ 15,013	\$ 21,727
Purchase of Investments	(1,241)	(2,155)	(3,396)	(4,374)
Net Cash Provided by Investing Activities	\$ 2,951	\$ 8,666	\$ 11,617	\$ 17,353
Increase (Decrease) in Cash	\$ (3,894)	\$ 48,102	\$ 44,208	\$ 58,025
Cash - Beginning of the Year	\$ 124,453	\$ 324,808	\$ 449,261	\$ 391,236
Cash - End of the Year	\$ 120,559	\$ 372,910	\$ 493,469	\$ 449,261
Reconciliation of Cash Accounts:				
Unrestricted Cash	\$ 77,059	\$ 274,388	\$ 351,447	\$ 324,028
Restricted Cash	43,500	98,522	142,022	125,233
	\$ 120,559	\$ 372,910	\$ 493,469	\$ 449,261

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

Exhibit G
(Continued)

The accompanying notes are an integral part of this statement.

	Business-Type Activities -		Totals	
	Enterprise Funds			
	Water	Sewer	2008	2007
Reconciliation of Operating Income (Loss) to Net Cash				
Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 1,702	\$ (106,741)	\$ (105,039)	\$ (136,446)
Adjustments to Reconcile Operating Loss to Net Cash				
Provided by (Used in) Operating Activities:				
Depreciation	34,375	90,571	124,946	122,913
Provision for Bad Debts	2,108	-	2,108	5,842
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(3,210)	5,370	2,160	(15,289)
(Increase) Decrease in Accrued Interest Receivable	140	96	236	31
(Increase) Decrease in Sales Tax Receivable	-	687	687	(1,503)
Increase (Decrease) in Accounts Payable	145	-	145	(1,461)
Increase (Decrease) in Sales Tax				
Collection Fee Payable	-	(5)	(5)	10
Increase (Decrease) in Customer Deposits Payable	8,005	-	8,005	4,765
Net Cash Provided By (Used In) Operating Activities	<u>\$ 43,265</u>	<u>\$ (10,022)</u>	<u>\$ 33,243</u>	<u>\$ (21,138)</u>

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Notes to Financial Statements
June 30, 2008

Narrative Profile

The Town of Independence, Louisiana (the "Town") was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor – Board of Alderman form of government. The Town provides the following services: public safety (police and fire), streets, drainage, sanitation, culture / recreation, public improvements, planning and zoning, and general and administrative services. Other services include providing water and sewer services.

The accounting and reporting policies of the Town conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513 and to the industry audit guide, *Audits of State and Local Governmental Units*.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the Town includes all funds that are controlled by or dependent on the Town, which was determined based on oversight responsibility, including accountability for fiscal and budget matters, designation of management or governing authority, and authority to issue debt. Certain units of local government over which the Town exercises no oversight responsibility, such as the parish council, other independently elected officials, and other municipalities within the parish, are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the Town.

The Town's financial statements are prepared in accordance with GASB Statement No. 34, which establishes the requirements and reporting model for the annual financial reports of both state and local governments. The following list describes some of the required aspects of these financial statements:

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the Town's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. The Town reports all capital assets, including infrastructure, in the government-wide Statement of Net Assets and reports depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of the Town are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

Statement of Activities – The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the Town's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of the Town's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The Budgetary Comparison Schedules include the Town's original budgets and a comparison of the final budgets to the actual results.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town has no component units.

B. Government-Wide and Fund Accounting

The basic financial statements include both government-wide (based on the Town as a whole) and fund types (the total of all funds of a particular type). In the current reporting model, the focus is on either the Town as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, streets and parks, etc.), which are otherwise being supported by general government revenues (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, streets and parks, etc.) or a business-type activity. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. These funds are normally budgeted in this manner. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile funds based on financial statements with the governmental column of the government-wide presentation.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

The focus of the current reporting model is on the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the Town are organized into funds. Funds are considered independent fiscal and accounting entities, with a self-balancing set of accounts recording cash and / or other financial resources together with all related liabilities and equities, and changes therein, which are segregated for the purpose of carrying on specific activities.

Governmental Funds

Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

General Fund – The General Fund is the general operating fund of the Town. This fund is used to account for all financial transactions and resources except for those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The 1% Sales Tax Fund (1966), 1% Sales Tax Fund (1982), and Innovative Housing Fund are considered major funds for reporting purposes. The LCDBG Economic Development Fund is considered a nonmajor fund for reporting purposes.

Debt Service Funds – Debt Service Funds account for resources set aside to pay interest and principal on long-term debt. The Series 1994 Sales Tax Refunding Bonds Fund and Series 1999 Certificates of Indebtedness Fund are considered nonmajor funds for reporting purposes.

Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through these funds. The measurement focus is on the determination of net income, financial position, and cash flows. Operating expenses include costs of services and materials, contracts, personnel, and dedication. In accordance with Governmental Accounting Standards Board (GASB Statement No. 20), the Town has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

Enterprise Funds or Business Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and / or net income is appropriate for capital maintenance, public policy, management control, accountability, and other purposes. The Town's Water Enterprise Fund and Sewer Enterprise Fund account for the operations of providing water services and sewer services, respectively.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the balance sheet in the funds statements. Long-term assets and liabilities are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net assets and activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the balance sheet or on the statement of net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The fund financial statements of the General, Special Revenue, and Debt Service Funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The statements of net assets and statements of activities of the Proprietary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

The Town follows these procedures in creating the budgetary data reflected in these financial statements:

1. The Town Clerk prepares a proposed budget and submits this budget to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The proposed budget for the year ended June 30, 2008, was submitted to the Board of Aldermen on June 7, 2007.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called. The proposed budget for the year ended June 30, 2008, was published timely in the official journal.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. A hearing on the proposed budget for the year ended June 30, 2008, was held June 27, 2007.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance. The proposed budget for the year ended June 30, 2008, was adopted by ordinance on June 28, 2007.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen. The budget for the year ended June 30, 2008 was amended on June 10, 2008.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) except for the following deviations: (1) On the budget basis in the General Fund a loan from the Innovative Housing Fund is recorded as an Other Financing Source, while on the GAAP basis it is reported as an Advance from Other Funds (Liability). (2) On the budget basis in the Innovative Housing Fund a loan to the General Fund is recorded as an Other Financing Use, while on the GAAP basis it is reported as an Advance to Other Funds (Asset).
8. A budget was also adopted for the Water and Sewer Enterprise Fund. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

E. Cash and Investments

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, the Town may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

F. Receivables and Payables

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of any applicable allowance for uncollectibles.

G. Allowance for Uncollectible Accounts

Uncollectible amounts due for ad valorem taxes, customers' utility receivables, and innovative housing notes receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the receivable. The following details the description and amount of the allowance for uncollectible accounts at June 30, 2008.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

a. General Fund

Allowance for Uncollectible Ad Valorem Tax Receivable	\$ <u>33,961</u>
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b. Special Revenue Funds

Allowance for Uncollectible Innovative Housing Program Notes Receivable	\$ <u>11,406</u>
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c. Enterprise Funds

Allowance for Uncollectible Water Fees	\$ 15,322
Allowance for Uncollectible Sewer Fees	<u>164</u>
	\$ <u>15,486</u>

H. Inventory

The Town utilizes the "purchase method" of accounting for supplies in governmental funds whereby expendable operating supplies are recognized as expenditures when purchased. The Town did not record any inventory at June 30, 2008, as the amount is not material.

I. Payable from Restricted Assets

Certain assets of the Town's Water and Sewer System have been restricted for payment of the following as of June 30, 2008:

Utility Customer Deposits	\$ 43,500
Revenue Bonds Payable	<u>14,282</u>
	\$ <u>57,782</u>

J. Capital Assets

Capital outlays are recorded as expenditures of the General and Special Revenue Funds and as assets in the government-wide financial statements to the extent the Town's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Although an exception exists for local governments with annual revenues less than \$10 million, the Town has elected to report its infrastructure retroactively. Interest incurred during construction is capitalized on a government-wide basis. Interest attributable to capitalized assets as of June 30, 2008 was immaterial. Depreciation is recorded on capital assets on a government-wide basis. Capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Of the \$2,686,416 in retroactive infrastructure capitalized as of June 30, 2004, the entire amount was estimated using current replacement cost for a similar asset and deflating this cost using price indices to the acquisition year. The Town does not capitalize historical treasures or works of art. The Town maintains many items and buildings of historical significance. The Town does not require that the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

K. Accumulated Compensated Absences

The Town's policy is to allow employees' vacation pay based on employee classification and length of service. Vacation pay is non-cumulative with any unpaid amounts paid to employees upon separation from Town's service. In governmental funds, the cost of vacation pay is recognized when payments are made to employees. No liability has been recorded in the Water and Sewer Enterprise Fund for unused vacation pay at June 30, 2008, as the amount is not material.

The Town's employees earn sick pay benefits based on length of service. Employees may accumulate sick leave benefits up to a maximum of 365 days. Sick pay benefits have not been accrued, as the employee's right to sick pay benefits, although cumulative, do not vest.

L. Pension Plans

The Town has two pension plans that cover all of the Town's employees. Both pension plans are joint contributory defined contribution plans administered by the statewide Louisiana Municipal Employees' Retirement System and the statewide Louisiana Municipal Police Employees' Retirement System. Both pension plans are funded by contributions from employees through payroll withholding deductions and matching contributions from the Town (Notes 6 and 7).

M. Long-Term Obligations

In the government-wide financial statements, principal payments of both government and business-type activities are reported as decreases in liabilities on the Statement of Net Assets. In the fund financial statements, however, governmental funds recognize principal payments as expenditures when paid.

N. Fund Equity

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by:
 - a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, or
 - b. Law through constitutional provisions or enabling legislation.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is broken down between reserved and unreserved, with unreserved further split between designated and undesignated portions. Proprietary fund equity is classified the same as in the government-wide statements. See Note 9 for additional disclosures.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. **Stewardship, Compliance, and Accountability**

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds except for the deviations discussed in Note 1-D. All annual appropriations lapse at fiscal year end. See Note 1-D regarding the adoption of operating budgets. The Town complied with the Local Budget Act.

B. Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at lower of market or par. As reflected in Note 3, the Town complied with the deposit and investment laws and regulations.

C. Deficit Fund Equity

As of June 30, 2008, no Town funds had deficit fund equities.

D. Compliance with Bond and Certificate of Indebtedness Covenants

1. Compliance with Sales Tax Bond Covenants

As of June 30, 2008, the Town complied with all Sales Tax Bond Covenants. See Note 12 for a further discussion of the Sales Tax Bond Covenants.

2. Compliance with Sewer Revenue Bond Covenants

As of June 30, 2008, the Town complied with all Sewer Revenue Bond Covenants. See Note 12 for a further discussion of the Sewer Revenue Bond Covenants.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

3. Compliance with Certificates of Indebtedness Covenants

As of June 30, 2008, the Town complied with all Certificates of Indebtedness Covenants. See Note 12 for a further discussion of the Certificates of Indebtedness Covenants.

3. Cash, Cash Equivalents, and Investments

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, the Town may invest in US bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

As reflected on Exhibit A, the Town has cash totaling \$1,527,550 and investments totaling \$934,846 at June 30, 2008. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. These pledged securities are held by and in the name of the fiscal agent bank but pledged to the Town. The following is a summary of cash and investments (bank balances) at June 30, 2008, with the related federal deposit insurance and pledged securities:

	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 1,034,081	\$ 493,469	\$ 1,527,550
Certificates of Deposit	826,531	108,315	934,846
	<u>\$ 1,860,612</u>	<u>\$ 601,784</u>	<u>\$ 2,462,396</u>

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2008, \$2,324,592 of the Town's bank balance of \$2,524,592 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

	Governmental Activities	Business-Type Activities	Total
Bank Balances (Category 3 Only):			
a. Uninsured and Uncollateralized	\$ -	\$ -	\$ -
b. Uninsured and Collateralized with Securities Held by the Pledging Institution	-	-	-
c. Uninsured and Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent, but not in the Entity's Name	<u>1,835,084</u>	<u>489,508</u>	<u>2,324,592</u>
Total Category 3 Bank Balances	<u>\$ 1,835,084</u>	<u>\$ 489,508</u>	<u>\$ 2,324,592</u>
Total Bank Balances (Regardless of Category)	<u>\$ 1,909,747</u>	<u>\$ 614,845</u>	<u>\$ 2,524,592</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

4. Due from Other Governmental Units

Amounts due from other governmental units at June 30, 2008, consisted of the following:

	<u>General Fund</u>
Beer Tax - Due from the State of Louisiana	\$ <u>1,016</u>

5. Capital Assets

The following is a summary of the changes in capital assets for governmental activities for the fiscal year ended June 30, 2008:

	<u>Balance 06/30/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/08</u>
Capital Assets Not Depreciated:				
Land and Land Improvements	\$ 64,500	\$ -	\$ -	\$ 64,500
Total Capital Assets Not Depreciated	\$ 64,500	\$ -	\$ -	\$ 64,500
Other Capital Assets:				
Buildings / Improvements	\$ 337,164	\$ -	\$ -	\$ 337,164
Infrastructure	2,693,816	-	-	2,693,816
Machinery, Equipment, & Vehicles	443,808	28,198	10,000	462,006
Total Other Capital Assets	\$ 3,474,788	\$ 28,198	\$ 10,000	\$ 3,492,986
Less Accumulated Depreciation:				
Buildings / Improvements	\$ 174,308	\$ 9,058	\$ -	\$ 183,366
Infrastructure	1,843,535	67,210	-	1,910,745
Machinery, Equipment, & Vehicles	319,607	32,762	10,000	342,369
Total Accumulated Depreciation	\$ 2,337,450	\$ 109,030	\$ 10,000	\$ 2,436,480
Other Capital Assets, Net	\$ 1,137,338	\$ (80,832)	\$ -	\$ 1,056,506
Totals	\$ 1,201,838	\$ (80,832)	\$ -	\$ 1,121,006

During the current fiscal year, a parcel of land owned by the Town was sold for \$157,000. This land has never been included in the Town's capital asset listing for governmental or business-type activities. As a result, for the purposes of this sale, the land is considered to have no cost basis in determining gains or losses.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended June 30, 2008:

	Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Land	\$ 69,808	\$ -	\$ -	\$ 69,808
Wells	138,603	-	-	138,603
Pumping Stations & Equipment	50,000	-	-	50,000
Storage Tank	145,520	-	-	145,520
Sewerage Lift Stations	100,000	-	-	100,000
Water and Sewer Lines, etc.	5,069,938	12,000	-	5,081,938
Vehicles and Equipment	58,854	-	-	58,854
	<u>\$ 5,632,723</u>	<u>\$ 12,000</u>	<u>\$ -</u>	<u>\$ 5,644,723</u>
Less Accumulated Depreciation:				
Buildings and Equipment	<u>\$ 2,100,949</u>	<u>\$ 124,946</u>	<u>\$ -</u>	<u>\$ 2,225,895</u>
Total	<u>\$ 3,531,774</u>	<u>\$ (112,946)</u>	<u>\$ -</u>	<u>\$ 3,418,828</u>

Property, plant, and equipment are stated at cost, less an allowance for accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40	Years
Infrastructure	40 - 50	Years
Water Wells & Sewer Pump Stations	20	Years
Storage Tanks, Lines & Meters	40	Years
Trucks & Equipment	5	Years
Garbage Collection System	10	Years

Capital outlays are reported as expenditures in the governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements are summarized as follows:

Primary Government:	
Capital Outlay	\$ 28,198
Depreciation Expense	<u>(109,030)</u>
Total Adjustment	<u>\$ (80,832)</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

Depreciation expense was charged to functions / programs of the Town as follows:

Governmental Activities:

General Government	\$ 10,143
Public Safety	27,618
Streets and Parks	71,269
Total Depreciation Expense - Governmental Activities	<u>\$ 109,030</u>

Business-Type Activities:

Water	\$ 34,375
Sewer	90,571
Total Depreciation Expense - Business-Type Activities	<u>\$ 124,946</u>

6. Employees Pension Plan (Other Than Police Officers)

All of the Town's full-time employees, with the exception of police officers, participate in the Louisiana Municipal Retirement System - Plan A ("System"), a multiple-employer public employee retirement system. All of the Town's full-time employees, with the exception of police officers, are eligible to participate in the System. Members are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final compensation multiplied by years of creditable service providing he meets one of the following criteria:

- A. Any age with thirty (30) or more years of creditable service.
- B. Employee is age 55 and has twenty-five (25) years or more of creditable service.
- C. Employee is age 60 with a minimum of ten (10) or more years of creditable service. However, benefits are reduced by three (3%) percent for each year below age 62.
- D. Employee is under age 60 with five (5) years of creditable service and is eligible for disability benefits.
- E. Entitlements to survivor's benefits require five (5) years of creditable service at the time of the death of a member.

Final compensation means the average monthly earnings during the highest thirty-six months (36) or joined months of service if interrupted. Benefits are established by state statute. Plan members are required, currently, to contribute 9.25% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 13.50% of covered payroll.

The System receives 1/4 of 1% of ad valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions. The remaining employer contributions are determined according to actuarial requirements and are set annually.

Both the Town and the covered employees made the required contributions amounting to \$52,516. There were no related party transactions.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

Trend Information

Contributions required by state statute:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percentage Contribution</u>
2006	\$ 78,137	100%
2007	\$ 72,679	100%
2008	\$ 52,516	100%

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

All employees of the Town are also members of the Social Security System.

7. Employees Pension Plan (Police Officers)

Full-time police employees of the Town participate in the Municipal Police Employees Retirement System ("Police System"), a multiple-employer public employee retirement system.

All Town police employees who participate in the plan shall be eligible for retirement if he has 20 years or more of creditable service and is at least age 50, or 12 years or more of creditable service and is at least age 55. Retirement benefits are equal to 3 1/3 percent of average final compensation multiplied by the number of years of creditable service and is payable monthly for life. Average final compensation is the average annual earned compensation of an employee for any period of thirty-six successive or joined months of service during which the earned compensation was the highest. Benefits are not considered fully vested until the employee has attained both the age and years of service requirements that entitle them to regular retirement benefits. The Police System also provides death and disability benefits. Benefits are established by state statute.

Plan members are required, currently, to contribute 7.50% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 15.50% of covered payroll.

Both the Town and the covered employees made the required contributions, amounting to \$4,881. There were no related party transactions.

Trend Information

Contributions required by state statute:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percentage Contribution</u>
2006	\$ 30,525	100%
2007	\$ 19,350	100%
2008	\$ 4,881	100%

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

All employees of the Town are also members of the Social Security System.

8. Changes In Long-Term Debt

The following is a summary of debt transactions of the Town for the year ended June 30, 2008:

	Debt Payable 07/01/07	Increase in Debt	Debt Retired	Debt Payable 06/30/08	Due Within One Year
Certificate of Obligation	\$ 84,000	\$ -	\$ 41,000	\$ 43,000	\$ 43,000
Sales Tax Refunding Bonds	25,000	-	25,000	-	-
Revenue Bonds	871,881	-	13,551	858,330	14,282
Total	<u>\$ 980,881</u>	<u>\$ -</u>	<u>\$ 79,551</u>	<u>\$ 901,330</u>	<u>\$ 57,282</u>

Long-term debt payable at June 30, 2008, is comprised of the following:

Certificates of Indebtedness:

\$350,000 Certificates of Indebtedness, Series 1999, Independence, Louisiana, dated May 3, 1999; due in bi-annual installments of \$39,523 - \$45,761 through 01/01/2009; Interest at 4.98%; (Secured through a pledge and dedication of excess revenues of the Town above statutory, necessary, and usual charges.)

\$ 43,000

A schedule of the outstanding certificate of obligation and the principal and interest requirements are as follows:

<u>Year Ended June 30,</u>	<u>1999 Certificate of Indebtedness</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	43,000	1,071	44,071
	<u>\$ 43,000</u>	<u>\$ 1,071</u>	<u>\$ 44,071</u>

General Obligation Bonds:

\$244,000 Sales Tax Refunding Bonds dated 10/20/94; Due in bi-annual installments of \$12,000 - \$25,000 through 06/01/2008; Interest at 6.1% (Payable from a pledge of the Town's 1982 1% Sales and Use Tax)

\$ -

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

Revenue Bonds:

\$975,000 Revenue Bonds dated 12/16/97; Due in monthly installments of \$4,387 through 12/16/2037; Interest at 4.5% (payable from a pledge of the Town's income and revenues of the Sewerage System) \$ 858,330

A schedule of the outstanding Enterprise Fund Revenue Bonds and the principal and interest requirements are as follows:

\$975,000 Revenue Bonds			
	Principal	Interest	Total
06/30/09	\$ 14,282	\$ 38,368	\$ 52,650
06/30/10	14,939	37,711	52,650
06/30/11	15,625	37,025	52,650
06/30/12	16,244	36,406	52,650
06/30/13	17,091	35,559	52,650
06/30/14 - 06/30/18	97,892	165,358	263,250
06/30/19 - 06/30/23	122,570	140,680	263,250
06/30/24 - 06/30/28	153,423	109,827	263,250
06/30/29 - 06/30/33	192,189	71,061	263,250
06/30/34 - 06/30/38	214,075	22,850	236,925
	<u>\$ 858,330</u>	<u>\$ 694,845</u>	<u>\$ 1,553,175</u>

9. Reserves and Dedications of Fund Equity

The Town records reserves and dedications to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amount of all reserves and dedications used by the Town as of June 30, 2008.

Reserves of Fund Balance / Net Assets:

a. Debt Service Funds

(1) Reserved for General Obligation Bond Debt Service	\$ 57,638
(2) Reserved for Economic Development	68,533
(3) Reserved for Historical District Renovations	644,419
(4) Reserved for Advances to Other Funds	72,000

b. Water and Sewer Enterprise Fund

(1) Reserved for Revenue Bond Debt Service	156,089
	<u>\$ 998,679</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

10. Tax Revenues

A sales tax of two and one-half percent is levied by the Town on taxable sales within the Town. The sales tax is collected by the Tangipahoa Parish School Board, Sales Tax Division, and remitted to the Town in the month following receipt by the School Board. The School Board receives the sales tax approximately one month after collection by vendors. Sales taxes collected in June and July (which represent sales for May and June) and received by the Town in July and August have been accrued and are included under the caption "Sales Tax Receivable."

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed. The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Tangipahoa Parish.

For the year ended June 30, 2008, taxes of 16.23 mills were levied on property with taxable assessed valuations totaling \$8,794,382 and were dedicated to the following purposes:

General Corporate Purposes	6.23	Mills
Police Department	5.00	Mills
Fire Department	5.00	Mills
	<u>16.23</u>	<u>Mills</u>

Total taxes levied were \$142,733. Taxes receivable were \$33,961 at June 30, 2008. The allowance for uncollectible ad valorem taxes totaled \$33,961 at June 30, 2008.

11. On-Behalf Payments Made by State of Louisiana

For the year ended June 30, 2008, the State of Louisiana made on-behalf payments in the form of supplemental pay to the Town's police officers and firefighters. In accordance with GASB 24, the Town has recorded \$19,078 of on-behalf payments as revenue and as expenses in the General Fund, as follows:

Fire Department	\$	14,615
Police Department		<u>4,463</u>
Total	\$	<u>19,078</u>

12. Dedication of Proceeds of Flow of Funds – Sales and Use Tax

A. 1966 1% Sales and Use Tax (Special Revenue Fund)

The proceeds of the 1966 1% sales and use tax levied by the Town (current collections were \$267,456 for the year ended June 30, 2008) were dedicated for the payment of the 1967 Public Improvement Bonds. As of April 1, 1992, these March 14, 1967 Public Improvement Bonds were paid in full and the sales tax is no longer dedicated for payment of these bonds. Balances in the Sales Tax 1966 Debt Service Fund were transferred to the 1966 Sales Tax Fund by a residual equity transfer.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

B. 1980 ½ % Sales and Use Tax (Enterprise Fund)

The proceeds of the 1980 ½ % sales and use tax levied by the Town (current collections were \$133,487 for the year ended June 30, 2008) were dedicated for the payment of the \$290,000 Public Improvement Bonds. This tax expired January 3, 2005, but collection of the tax continued beyond the date of expiration. On March 31, 2007, a special election was held and the voters approved a proposition to continue to levy this tax. As of March 9, 2005, these \$290,000 Public Improvement Bonds were paid in full and the sales tax is no longer dedicated for payment of these bonds.

C. 1982 1% Sales and Use Tax (Special Revenue Fund)

The proceeds of the 1982 1% sales and use tax levied by the Town (current collections were \$266,974 for the year ended June 30, 2008) are dedicated as follows:

Constructing, acquiring, extending, improving, operating and / or maintaining sewers and sewerage disposal works for the Town, constructing, paving, widening, and improving streets in the Town and for construction, acquiring, extending, improving, operating and / or maintaining waterworks facilities.

The Town, through its governing authority, adopted a resolution on September 13, 1994, authorizing the issuance of \$244,000 Sales Tax Refunding Bonds, Series 1994, and entering into certain covenants in connection with the security and payment of said bonds. In that resolution, the proceeds of the 1982 1% sales and use tax were irrevocably pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes.

The 1% sales and use tax authorized at a special election held November 28, 1981, must be deposited as collected into a separate Sales Tax Fund – 1982. Monies in the Sales Tax Fund – 1982 shall be first used for the payment of all reasonable and necessary costs and expenses of collecting said tax. After payment of all reasonable and necessary costs of collecting the tax, certain monthly payments must be made from the Sales Tax Fund – 1982 to the Sales Tax Bond Sinking Fund – 1994, and the Sales Tax Bond Reserve Fund – 1994, which were established with the Town's fiscal agent bank.

These funds are maintained in two separate interest-bearing accounts. The required monthly payments into the sinking fund are made in amounts sufficient to pay the principal and interest installments currently and will continue monthly until June 2008, unless bonds are called in advance of their maturity dates, in which event it is possible to reduce the required payment into the sinking fund. The required monthly payments into the Reserve Fund are five percent (5%) of the amount required to be deposited into the Sinking Fund and will cease after the amount of \$24,400 has been accumulated therein. No payments into the Reserve Fund will be due after accumulation of \$24,400, unless there is a default in connection with the payment of the bonds which requires withdrawal from this fund for the purpose of paying maturing principal and interest on the bonds. Any monies remaining in the Sales Tax Fund – 1982 on the 20th day of each month after making the required payments into the Sales Tax Bond Sinking Fund – 1994 and the Sales Tax Bond Reserve Fund – 1994 for the current month and for prior months during which the required payments may not have been made, is considered as surplus. Such surplus may be used by the Town for any of the purposes for which the imposition of the tax is authorized or for retiring bonds herein authorized in advance of their maturities.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

Balances in the Sales Tax Sinking Fund – 1994 and the Sales Tax Reserve Fund – 1994 were in accordance with the bond covenants. As of June 1, 2008, these Sales Tax Refunding Bonds were paid in full and the sales tax is no longer dedicated for payment of these bonds.

13. Flow of Funds: Restrictions on Use – Sewer Revenues

The Town, through its governing authority, adopted a resolution on March 11, 1997, authorizing the issuance of \$975,000 Sewer Revenue Bonds issued on a complete parity with the outstanding \$45,000 of Revenue Bonds dated April 21, 1980 referred to in the first paragraph above, and entering into certain covenants in connection with the security and payment of said bonds. The proceeds of these bonds are to be used to finance a portion of the cost of acquiring and constructing improvements, extensions, and replacements to the Town's sewerage system.

The bond resolutions require that revenues earned from the operation of the Sewer System be deposited with the Town's fiscal agent bank in a Sewer Revenue Fund. After the payment of all reasonable and necessary costs and expenses of operating and maintaining the system, certain monthly payments must be made from the Sewer Revenue Fund as follows:

Each month, there will be set aside into a fund called the "Sewer Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. The payments will continue monthly until December 2037, unless bonds are called in advance of their maturity dates, in which event it is possible to reduce the required payments into the sinking fund.

There shall also be set aside into a "Sewer Reserve Fund" an amount equal to 5% of the principal and interest payments required during the current fiscal year until such fund reaches an amount of \$60,000. On January 1, 2005, the reserve requirement was reduced to \$52,650. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Redemption Fund and as to which there would otherwise be default.

Funds will also be set aside into a Sewer Depreciation and Contingency Fund at the rate of \$318 per month. Money in this Fund may be used for the making of repairs or replacements to the system that are necessary to keep it in operating condition.

Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in other bond funds.

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

Balances in the Sewer Revenue Sinking Fund, and Sewer Depreciation Fund were in accordance with the bond covenants.

14. Compliance with Certificates of Indebtedness Covenants

The Town, through its governing authority, adopted a resolution on November 10, 1998, authorizing the issuance of Certificates of Indebtedness Series 1999 in an amount not to exceed \$350,000 for resurfacing and improving public streets in the Town. That resolution contained certain covenants and agreements in

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

connection with the security and payment of the certificates. The major covenants contained in the resolution and the manner in which the Town has complied with these covenants is described as follows:

Audit Requirements – In the resolution the Town is required to cause an audit of its records and accounts to be made no later than three (3) months after the close of each fiscal year.

As of June 30, 2008, the Town complied with this resolution covenant as it was under contract with a certified public accountant for an audit of its records for the year ended June 30, 2008.

Sinking Fund – In the resolution the Town is required to create a special fund to be known as "Town of Independence, State of Louisiana, Certificate of Indebtedness, Series 1999, Sinking Fund" to be used for payment of the principal of and the interest on the certificates. The Town is required to deposit in the Sinking Fund funds fully sufficient to promptly pay the maturing principal and / or interest so falling due on such date.

As of June 30, 2008, the Town complied with this resolution covenant.

Other Requirements – The resolution contains additional covenants regarding collection of tax, legal right to collection of tax, and other miscellaneous provisions.

As of June 30, 2008, the Town complied with these other resolution covenants in all material respects.

15. Interfund Receivables and Payables

Due To / From Other Funds:

The following is a summary of amounts due from and due to other funds at June 30, 2008:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Special Revenue Funds	\$ 38,082	\$ 15,791
Enterprise Funds	<u>48,569</u>	<u>22,374</u>
Total General Fund	86,651	38,165
Special Revenue Funds:		
General Fund	15,791	38,082
Enterprise Funds:		
General Fund	22,374	48,569
Enterprise Funds	<u>20,987</u>	<u>20,987</u>
Total Enterprise Funds	<u>43,361</u>	<u>69,556</u>
Total All Funds	<u>\$ 145,803</u>	<u>\$ 145,803</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

Advances To / From Other Funds:

The following is a summary of amounts advanced to and from other funds at June 30, 2008.

	<u>Advanced To</u>	<u>Advanced From</u>
General Fund:		
Innovative Housing Fund	\$ -	\$ 72,000
Innovative Housing Fund:		
General Fund	72,000	-
Total All Funds	<u>\$ 72,000</u>	<u>\$ 72,000</u>

16. Interfund Transfers

The following is a summary of the transfers between funds during the fiscal year ended June 30, 2008:

	<u>Transfers In From</u>	<u>Transfers Out To</u>
General Fund:		
Special Revenue Funds	\$ 410,000	\$ -
Enterprise Funds	60,104	-
Total General Fund	470,104	-
Special Revenue Funds:		
General Fund	-	410,000
Debt Service Funds	-	69,477
Total Special Revenue Funds	-	479,477
Debt Service Funds:		
Special Revenue Funds	69,477	-
Enterprise Funds:		
General Fund	-	60,104
Total All Funds	<u>\$ 539,581</u>	<u>\$ 539,581</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

17. Restricted Assets – Proprietary Fund Type

Restricted assets were applicable to the following at June 30, 2008:

\$975,000 Revenue Bond Debt Service - Cash	\$	98,522
\$975,000 Revenue Bond Debt Service - Investments		71,849
Customers' Deposits - Cash		43,500
Total Restricted Assets	\$	<u>213,871</u>

18. Segments of Enterprise Activities

Some services provided by the Town are financed by user charges – sewerage and water system. The significant financial data for these enterprises are as follows:

	Water System	Sewer System	Total
Operating Revenues	\$ 159,466	\$ 155,182	\$ 314,648
Depreciation	34,375	90,571	124,946
Operating Income (Loss)	1,702	(106,741)	(105,039)
Net Income (Loss)	(31,276)	(1,463)	(32,739)
Working Capital	94,701	323,655	418,356
Property, Plant, & Equipment:			
Additions	12,000	-	12,000
Deletions	-	-	-
Total Assets	1,124,887	2,991,521	4,116,408
Revenue Bonds Payable	-	858,329	858,329
Equity	1,011,730	2,137,496	3,149,226

19. Commitments and Contingencies

Grant Programs

The Town participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2008 may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements of such contingencies.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2008

20. Compliance with laws:

The Town does not maintain a list of capital assets, Town vehicles not marked according to state law, water deposit not paid by Mayor, budget message omitted, and land sale not done through public bid.

Required Supplemental Information

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2008

Schedule 1

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance with Final Budget Favorable / (Unfavorable)
Revenues:				
Taxes - Ad Valorem	\$ 165,000	\$ 165,000	\$ 145,314	\$ (19,686)
Licenses and Permits	169,000	184,000	211,571	27,571
Intergovernmental	14,750	34,750	30,220	(4,530)
Fines and Forfeitures	30,000	30,000	49,597	19,597
Solid Waste	85,000	85,000	88,719	3,719
On-behalf Payments by State	14,400	14,400	19,078	4,678
Miscellaneous	8,200	8,200	36,042	27,842
Total Revenues	\$ 486,350	\$ 521,350	\$ 580,541	\$ 59,191
Expenditures:				
Current:				
General Government	\$ 296,389	\$ 321,389	\$ 342,378	\$ (20,989)
Public Safety - Fire	152,153	155,453	169,911	(14,458)
Public Safety - Police	239,690	247,190	272,635	(25,445)
Streets and Parks	223,441	229,941	217,933	12,008
Solid Waste	97,500	97,500	109,899	(12,399)
Other	5,000	5,000	4,309	691
Capital Outlay	47,500	55,000	28,198	26,802
Total Expenditures	\$ 1,061,673	\$ 1,111,473	\$ 1,145,263	\$ (33,790)
Excess (Deficiency) of Revenues over Expenditures	\$ (575,323)	\$ (590,123)	\$ (564,722)	\$ 25,401
Other Financing Sources (Uses):				
Sale of Property	\$ -	\$ 157,000	\$ 157,000	\$ -
Sales Tax Fund (1966)	245,000	245,000	245,000	-
Sales Tax Fund (1982)	200,000	200,000	165,000	(35,000)
Water and Sewer Fund	49,400	49,400	60,104	10,704
Loan from Innovative Housing Fund	(4,800)	(4,800)	(2,400)	2,400
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ (85,723)	\$ 56,477	\$ 59,982	\$ 3,505
Fund Balance (Non-GAAP Budgetary Basis)				
Beginning of the Year	\$ 320,553	\$ 493,507	\$ 493,508	\$ 1
End of the Year	\$ 234,830	\$ 549,984	\$ 553,490	\$ 3,506
Adjustments to Generally Accepted Accounting Principles:				
Loan from Innovative Housing Fund			2,400	
Fund Balance - End of the Year (GAAP Basis)			\$ 555,890	

See auditor's report.

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget (GAAP Basis) and Actual
1% Sales Tax Fund (1966)
For the Year Ended June 30, 2008

Schedule 2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
Revenues:				
Sales Tax	\$ 260,000	\$ 260,000	\$ 267,456	\$ 7,456
Interest Revenue	12,500	8,000	8,079	79
Total Revenues	<u>\$ 272,500</u>	<u>\$ 268,000</u>	<u>\$ 275,535</u>	<u>\$ 7,535</u>
Expenditures:				
General Government	\$ 3,000	\$ 3,000	\$ 4,725	\$ (1,725)
Total Expenditures	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 4,725</u>	<u>\$ (1,725)</u>
Excess of Revenues over Expenditures	<u>\$ 269,500</u>	<u>\$ 265,000</u>	<u>\$ 270,810</u>	<u>\$ 5,810</u>
Other Financing Sources (Uses):				
Transfers Out:				
General Fund	\$ (245,000)	\$ (245,000)	\$ (245,000)	\$ -
Total Other Uses	<u>\$ (245,000)</u>	<u>\$ (245,000)</u>	<u>\$ (245,000)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	<u>\$ 24,500</u>	<u>\$ 20,000</u>	<u>\$ 25,810</u>	<u>\$ 5,810</u>
Fund Balance - Beginning of the Year	<u>\$ 396,648</u>	<u>\$ 409,159</u>	<u>\$ 409,159</u>	<u>\$ -</u>
Fund Balance - End of the Year	<u>\$ 421,148</u>	<u>\$ 429,159</u>	<u>\$ 434,969</u>	<u>\$ 5,810</u>

See auditor's report.

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget (GAAP Basis) and Actual
1% Sales Tax Fund (1982)
For the Year Ended June 30, 2008

Schedule 3

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
Revenues:				
Sales Taxes	\$ 260,000	\$ 260,000	\$ 266,974	\$ 6,974
Interest Revenue	14,000	12,000	13,130	1,130
Total Revenues	<u>\$ 274,000</u>	<u>\$ 272,000</u>	<u>\$ 280,104</u>	<u>\$ 8,104</u>
Expenditures:				
General Government	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 4,724</u>	<u>\$ (1,724)</u>
Total Expenditures	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 4,724</u>	<u>\$ (1,724)</u>
Excess of Revenues over Expenditures	\$ 271,000	\$ 269,000	\$ 275,380	\$ 6,380
Other Financing Sources (Uses):				
Transfers Out:				
General Fund	\$ (200,000)	\$ (200,000)	\$ (165,000)	\$ 35,000
Debt Service Fund	(70,687)	(70,687)	(69,477)	1,210
Sewer Fund	(20,000)	(20,000)	-	20,000
Water Fund	(80,000)	(80,000)	-	80,000
Total Other Uses	<u>\$ (370,687)</u>	<u>\$ (370,687)</u>	<u>\$ (234,477)</u>	<u>\$ 136,210</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ (99,687)	\$ (101,687)	\$ 40,903	\$ 142,590
Fund Balance - Beginning of the Year	\$ 293,639	\$ 443,239	\$ 443,239	\$ -
Fund Balance - End of the Year	<u>\$ 193,952</u>	<u>\$ 341,552</u>	<u>\$ 484,142</u>	<u>\$ 142,590</u>

See auditor's report.

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget (Non-GAAP Basis) and Actual
Innovative Housing Fund
For the Year Ended June 30, 2008

Schedule 4

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
Revenues:				
Interest Revenue	\$ 15,000	\$ 12,500	\$ 16,141	\$ 3,641
Total Revenues	\$ 15,000	\$ 12,500	\$ 16,141	\$ 3,641
Expenditures:				
Administrative Fees	\$ 1,500	\$ 1,500	\$ -	\$ 1,500
Audit and Accounting	1,500	1,500	-	1,500
Maintenance	14,500	14,500	-	14,500
Total Expenditures	\$ 17,500	\$ 17,500	\$ -	\$ 17,500
Excess (Deficiency) of Revenues over Expenditures	\$ (2,500)	\$ (5,000)	\$ 16,141	\$ 21,141
Other Financing Sources (Uses):				
Debt Repayment General Fund	\$ 4,800	\$ 4,800	\$ 2,400	\$ (2,400)
Total Other Sources (Uses)	\$ 4,800	\$ 4,800	\$ 2,400	\$ (2,400)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ 2,300	\$ (200)	\$ 18,541	\$ 18,741
Fund Balance - Beginning of the Year (Non-GAAP Budgetary Basis)	\$ 685,601	\$ 700,278	\$ 700,278	\$ -
Fund Balance - End of the Year (Non-GAAP Budgetary Basis)	\$ 687,901	\$ 700,078	\$ 718,819	\$ 18,741
Adjustments to Generally Accepted Accounting Principles:				
Loan to General Fund			(2,400)	
Fund Balance - End of the Year (GAAP Basis)			\$ 716,419	

See auditor's report.

Other Supplemental Information

Non-Major Governmental Funds

Special Revenue Funds

LCDBG - Economic Development - 87 Fund - To account for the receipt of grant proceeds and subsequent expenditure of an economic development loan to Marco Polo Imports, Inc. The source of the funding is a FY 1986 LCDBG Economic Development Contract in the amount of \$649,000 between the Town of Independence and the Division of Administration of the State of Louisiana. The proceeds from the repayment of the loan are dedicated 50% repayment to the grantor and 50% to be used for economic development within the Town.

Debt Service Funds

Sales Tax Refunding Bonds, Series 1994 - To accumulate monies for payment of the Sales Tax Refunding Bonds, Series 1994 due in annual installments, plus interest, through maturity in 2008. Debt service is financed from proceeds of a special 1% sales tax that was authorized at a special election held on November 28, 1981.

Certificates of Indebtedness, Series 2000 - To accumulate monies for the payment of the Certificates of Indebtedness, Series 2000 due in annual installments, plus interest, through maturity in 2009. Debt service is financed from excess revenues of the Town above statutory, necessary, and usual charges.

Town of Independence, Louisiana
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2008

Schedule 5

		Assets			
		LCDBG Economic Development 1987 Fund	Certificates of Indebtedness Series 1999	Sales Tax Refunding Bonds Series 1994	Total Non-Major Governmental Funds
Cash	\$	6,262	\$ 27,164	\$ 31,545	\$ 64,971
Investments		62,641	-	-	62,641
Receivables		486	-	-	486
Total Assets	\$	69,389	\$ 27,164	\$ 31,545	\$ 128,098

Liabilities and Fund Balance

Accrued Interest Payable	\$	-	\$ 1,071	\$ -	\$ 1,071
Due to Other Funds		856	-	-	856
Total Liabilities	\$	856	\$ 1,071	\$ -	\$ 1,927
Fund Balances					
Reserved for Debt Service	\$	68,533	\$ 26,093	\$ 31,545	\$ 126,171
Total Liabilities and Fund Balance	\$	69,389	\$ 27,164	\$ 31,545	\$ 128,098

See auditor's report.

Town of Independence, Louisiana
Schedule 6
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2008

	LCDBG Economic Development 1987 Fund	Certificates of Indebtedness Series 1999	Sales Tax Refunding Bonds Series 1994	Total Non-Major Governmental Funds
Revenues:				
Interest	\$ 1,611	\$ 612	\$ 1,075	\$ 3,298
Total Revenues	\$ 1,611	\$ 612	\$ 1,075	\$ 3,298
Expenditures:				
Principal Retirement	\$ -	\$ 41,000	\$ 25,000	\$ 66,000
Interest	-	3,162	1,547	4,709
Miscellaneous	-	-	27	27
Total Expenditures	\$ -	\$ 44,162	\$ 26,574	\$ 70,736
Excess (Deficiency) of Revenues over Expenditures	\$ 1,611	\$ (43,550)	\$ (25,499)	\$ (67,438)
Other Financing Sources:				
Transfers In	\$ -	\$ 45,162	\$ 24,315	\$ 69,477
Total Other Sources	\$ -	\$ 45,162	\$ 24,315	\$ 69,477
Excess of Revenues and Other Sources over Expenditures and Other Uses	\$ 1,611	\$ 1,612	\$ (1,184)	\$ 2,039
Fund Balances - Beginning of the Year	\$ 66,922	\$ 24,481	\$ 32,729	\$ 124,132
Fund Balances - End of the Year	\$ 68,533	\$ 26,093	\$ 31,545	\$ 126,171

See auditor's report.

**Schedule of Changes in Assets
Restricted for Revenue Bond Debt Service**

Town of Independence
Schedule of Changes in Assets Restricted for Revenue Bond Debt Service
For the Year Ended June 30, 2008
(With Comparative Amounts for the Year Ended June 30, 2007)

Schedule 7

	<u>\$975,000 Revenue Bonds, December 16, 1997</u>			<u>Total</u>	
	<u>Current</u>	<u>Future</u>	<u>Contingency</u>	<u>2008</u>	<u>2007</u>
	<u>Debt Service</u>	<u>Debt Service</u>			
Balance - Beginning of Year					
Cash	\$ 50,490	\$ -	\$ 39,249	\$ 89,739	\$ 80,137
Investments	-	69,694	-	69,694	66,754
Total	<u>\$ 50,490</u>	<u>\$ 69,694</u>	<u>\$ 39,249</u>	<u>\$ 159,433</u>	<u>\$ 146,891</u>
Receipts:					
Transfer from					
Operating Account	\$ 55,283	\$ -	\$ 3,816	\$ 59,099	\$ 59,099
Interest	1,294	2,155	1,046	4,495	6,099
Total Receipts	<u>\$ 56,577</u>	<u>\$ 2,155</u>	<u>\$ 4,862</u>	<u>\$ 63,594</u>	<u>\$ 65,198</u>
Total Available	<u>\$ 107,067</u>	<u>\$ 71,849</u>	<u>\$ 44,111</u>	<u>\$ 223,027</u>	<u>\$ 212,089</u>
Disbursements:					
Principal Payments	\$ 13,551	\$ -	\$ -	\$ 13,551	\$ 13,058
Interest Payments	39,105	-	-	39,105	39,598
Total Disbursements	<u>\$ 52,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,656</u>	<u>\$ 52,656</u>
Balance - End of Year					
Cash	\$ 54,411	\$ -	\$ 44,111	\$ 98,522	\$ 89,739
Investments	-	71,849	-	71,849	69,694
	<u>\$ 54,411</u>	<u>\$ 71,849</u>	<u>\$ 44,111</u>	<u>\$ 170,371</u>	<u>\$ 159,433</u>

See auditor's report.

Schedule of Insurance Coverage in Force (Unaudited)

Town of Independence
Schedule of Insurance Coverage in Force (Unaudited)
June 30, 2008

Schedule 8

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Rod Prejean & Associates	City Hall / Fire Station #1 (473 W. Railroad Ave.)		
	Building	\$ 216,320	09/06/08
	Contents	\$ 52,000	09/06/08
Rod Prejean & Associates	Fire Station #2 (113 Calhoun Street)		
	Building	\$ 106,129	09/05/08
	Contents	\$ 10,920	09/05/08
Rod Prejean & Associates	Water Tower & Equipment (Pine Street)		
	Pumping Equipment	\$ 5,962	09/05/08
	Tower #3	\$ 64,210	09/05/08
	75KW Generator	\$ 78,000	09/05/08
Rod Prejean & Associates	Fire Station #3 (268 E. Railroad Ave.)		
	Building	\$ 102,000	09/05/08
Rod Prejean & Associates	Police Station / Senior Citizen (269 E. Railroad Ave.)		
	Building	\$ 300,000	09/05/08
	Contents	\$ 53,155	09/05/08
Rod Prejean & Associates	Central Tangi Head Start (728 E. Railroad Ave.)		
	Building	\$ 285,600	09/05/08
Rod Prejean & Associates	Public Official Bond		
	Per Employee	\$ 100,000	05/07/09
Western Surety Company	Public Official Bond		
	Phillip Domiano	\$ 200,000	05/07/09
Progressive Insurance Company	Commercial Auto Policy		
	Comprehensive and Collision		
	1992 Chevrolet Pickup	\$ 5,650	05/14/09
	2000 Chevrolet Pickup	\$ 25,000	05/14/09
Rod Prejean & Associates	Commercial Coverage		
	Comprehensive and Collision		
	Case Backhoe Loader	\$ 26,729	09/05/08
	Case Tractor	\$ 37,775	09/05/08

(Continued)

Town of Independence
Schedule of Insurance Coverage in Force (Unaudited)
June 30, 2008

Schedule 8
(Continued)

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Rod Prejean & Associates	Lift Stations		
	South Pine Street	\$ 34,944	09/05/08
	Kemp Street	\$ 28,938	09/05/08
	Robertson Road	\$ 16,926	09/05/08
	Larussa Lane	\$ 16,926	09/05/08
	Highway 40	\$ 23,478	09/05/08
	Route Avenue North	\$ 34,944	09/05/08
	6th Street	\$ 23,478	09/05/08
	Calhoun Street	\$ 23,478	09/05/08
	Cypress Street	\$ 23,478	09/05/08
	Cason Road (Treatment Plant)	\$ 530,250	09/05/08
LA Municipal Risk Management Agency	Automobile Liability Uninsured Motorist, BI & PD	\$ 500,000	05/01/09
LA Municipal Risk Management Agency	Commercial General Liability Premises / Operations	\$ 500,000	05/01/09
	Products / Completed Operations	\$ 500,000	05/01/09
LA Municipal Risk Management Agency	Law Enforcement Officers Comprehensive Liability, Personal Injury	\$ 500,000	05/01/09
LA Municipal Risk Management Agency	Public Officials Liability Errors & Omissions	\$ 500,000	05/01/09
Rod Prejean & Associates	Auto Physical Damage	\$ 130,000	05/01/09

See auditor's report.

Schedule of Compensation Paid Elected Officials

Town of Independence
Schedule of Compensation Paid Elected Officials
June 30, 2008

Schedule 9

<u>Name</u>	<u>Title</u>	<u>Term of Office</u>	<u>Compensation Paid</u>
Philip F. Domiano, Mayor P.O. Box 812 Independence, LA 70443	Mayor Street Commissioner	July 1, 2004 - June 30, 2008	\$ 10,800 \$ 63,341
Anthony Maurer 287 Tiger Avenue Independence, LA 70443	Police Chief	December 1, 2006 June 30, 2008	\$ 38,072
Raymond Alexia P.O. Box 1395 Independence, LA 70443	Fire Chief	July 1, 2004 - June 30, 2008	\$ 41,235
Louis "Nick" Joseph P.O. Box 621 Independence, LA 70443	Mayor Pro-Tem	July 1, 2004 - June 30, 2008	\$ 1,500
Joseph C. Guzzardo P.O. Box 545 Independence, LA 70443	Alderman	July 1, 2004 - June 30, 2008	\$ 1,938
Parnell "Butch" Baham P.O. Box 1282 Independence, LA 70443	Alderman	July 1, 2004 - June 30, 2008	\$ 2,000
Steve "Eddie" Anthony P.O. Box 723 Independence, LA 70443	Alderman	July 1, 2004 - June 30, 2008	\$ 1,938
Richard Navarra P.O. Box 857 Independence, LA 70443	Alderman	July 1, 2004 - June 30, 2008	\$ 2,000

See auditor's report.

Water and Sewer Rate Schedule

Town of Independence, Louisiana
Water and Sewer Rate Schedule
June 30, 2008

Schedule 10

Description	Total	Water	DHH Fee	Garbage	Fire Serv I	Police Serv II	Sewer	Tax
No Charge	-	-	-	-	-	-	-	-
Residential (1)	37.71	5.50	0.27	10.44	3.50	2.50	15.50	-
Residential (2)	75.42	11.00	0.54	20.88	7.00	5.00	31.00	-
Residential (3)	113.13	16.50	0.81	31.32	10.50	7.50	46.50	-
Residential (4)	150.84	22.00	1.08	41.76	14.00	10.00	62.00	-
Outside - Water (1)	17.27	17.00	0.27	-	-	-	-	-
Outside - Water (2)	34.54	34.00	0.54	-	-	-	-	-
Outside - Water (3)	51.81	51.00	0.81	-	-	-	-	-
Outside - Water & Sewer	32.77	17.00	0.27	-	-	-	15.50	-
Outside - No Sewer w/ Garbage	22.21	5.50	0.27	10.44	3.50	2.50	-	-
Outside - No Sewer w/o Garbage	11.77	5.50	0.27	-	3.50	2.50	-	-
Commercial - Washateria	31.13	9.00	0.27	-	3.50	2.50	15.50	0.36
Head Start	282.57	9.00	0.27	10.44	3.50	2.50	256.50	0.36
	27.49	5.50	0.27	-	3.50	2.50	15.50	0.22
Commercial Rate (2)	75.86	11.00	0.54	20.88	7.00	5.00	31.00	0.44
Commercial Rate (1)	37.92	5.50	0.27	10.44	3.50	2.50	15.50	0.21
Car Wash - Indy Jet Spray	53.53	20.50	0.27	10.44	3.50	2.50	15.50	0.82
Car Wash - C&G	43.09	20.50	0.27	-	3.50	2.50	15.50	0.82
Commercial Washateria w/ Garbage	41.57	9.00	0.27	10.44	3.50	2.50	15.50	0.36
French Settlement	104.07	100.00	0.27	-	-	-	-	3.80
Mater Dolorosa	440.52	177.75	0.27	-	3.50	2.50	256.50	-
Indy Middle School	476.89	214.12	0.27	-	3.50	2.50	256.50	-
Indy Elementary School	528.27	265.50	0.27	-	3.50	2.50	256.50	-
Indy High School	543.64	280.87	0.27	-	3.50	2.50	256.50	-
Lallie Kemp Hospital	1,033.77	750.00	0.27	-	-	-	283.50	-
Housing Authority	2,187.18	319.00	15.66	605.52	203.00	145.00	899.00	-
Tax-Exempt	37.71	5.50	0.27	10.44	3.50	2.50	15.50	-
Residential (8)	301.68	44.00	2.16	83.52	28.00	20.00	124.00	-
LA Medical & Surgical	100.27	50.00	0.27	-	-	-	50.00	-
Residential (5)	188.55	27.50	1.35	52.20	17.50	12.50	77.50	-
Residential (6)	226.26	33.00	1.62	62.64	21.00	15.00	93.00	-

Delinquent fee \$5.00

See auditor's report.

Schedule of Water and Sewer Information

Town of Independence, Louisiana
Schedule of Water and Sewer Information
June 30, 2008

Schedule 11

Aged Accounts Receivable:

As of June 30, 2008, accounts receivable from water and sewer billings were aged as follows:

<u>Current</u>	<u>Over 30 Days</u>	<u>Over 60 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
\$ 37,952	\$ 7,334	\$ 3,116	\$ 4,872	\$ 53,274

Water and Sewer Users

As of June 30, 2008, water and sewer users were composed of the following:

	<u>Water</u>	<u>Sewer</u>
Residential	748	669
Non-Residential	54	54
Total Users	<u>802</u>	<u>723</u>

See auditor's report.

**Other Independent Auditor's Report and
Findings and Recommendations**

**Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

**ANTHONY B BAGLIO CPA
A PROFESSIONAL ACCOUNTING CORPORATION
2011 RUE SIMONE
HAMMOND, LOUISIANA 70403
PHONE: 985-542-4155 FAX: 985-542-4186**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Michael A Ragusa, Mayor
and the Members of the Board of Aldermen
Town of Independence
Independence, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Independence, Louisiana, as of and for the year ended June 30, 2008, which collectively comprise the Town of Independence's basic financial statements, and have issued my report thereon dated December 10, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Town of Independence's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Independence, Louisiana's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Independence's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Independence, Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Independence, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the Town of Independence, Louisiana's internal control. I consider the deficiencies described in items 08-01 to 08-17 in the accompanying schedule of findings and recommendations to be significant deficiencies in internal control over financial reporting.

The Honorable Michael A Ragusa, Mayor
and the Members of the Board of Aldermen
Town of Independence
Independence, Louisiana

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Independence, Louisiana's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 08-03,04,05,08,12,13,14,15, and 16 to be material weaknesses.

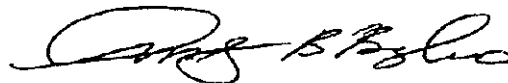
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Independence, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule findings and recommendations as items 08-18 through 08-22.

The Town of Independence, Louisiana's response to the findings identified in my audit is described in the accompanying schedule of corrective action plan for current year audit findings. I did not audit the Town of Independence, Louisiana's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management of the Town of Independence, Louisiana, federal awarding agencies and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Anthony B. Baglio, CPA
A Professional Accounting Corporation
Hammond, Louisiana
December 10, 2008

Findings and Recommendations

Town of Independence
Independence, Louisiana

Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008

INTERNAL CONTROL

FINDING NO. 08-01

Procedures Manual

The Town does not have a formal written procedure manual to have a clear understanding of what should be done, how it should be done, who should do it, and when it should be done to ensure the procedures followed meet management's expectations. Written procedures aid in the continuity of operations and for cross-training of staff.

It is recommended that the Town locate a sample procedures manual for a municipality and modify it for the Town of Independence.

Response by Management

Management response to findings will be sent in a separate letter.

FINDING NO. 08-02

Ethics

The Town does not have a written ethics policy nor require annual certification letters from board members and employees attesting to their compliance.

It is recommended that the Town prepare a written ethics policy and obtain the annual certification letters.

Response by Management

Management response to findings will be sent in a separate letter.

**Town of Independence
Independence, Louisiana**

**Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008**

FINDING NO. 08-03

Procedures for Controlling Past Due Utility Accounts Not Adequate

The Town does not have written procedures to follow concerning the collections of past due utility accounts and when to disconnect services for non-payment. In looking at the June utility billings, the Town had approximately 218 or 25% of the accounts ranging from 30 days to over 120 days delinquent in the amount of \$15,321.98.

It is recommended that the Town establish written procedures for the collection of past due utility accounts and when to disconnect services for non-payment.

Response by Management

Management response to findings will be sent in a separate letter.

FINDING NO. 08-04

Financial Statements

Management and the governing body is not being provided with financial statements and budget comparison each month. These statements should include comparison of actual results with original or amended budget amounts, including the variance amounts and variance percentages. These statements are not set up on the Town's software.

Good business practices would require management to have these documents in order to make proper decisions. It is recommended these statements be set up on the Town's software and given to the Mayor and to the Board to be reviewed at the monthly board meeting.

Response by Management

Management response to findings will be sent in a separate letter.

**Town of Independence
Independence, Louisiana**

**Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008**

FINDING No. 08-05

Delinquent Historic District Loans

On April 7, 2000, the Town made a loan to an individual in the historic district of the Town in the amount of \$22,000 requiring monthly payments of \$258.05. As of June 30, 2008, the loan had a balance of \$17,853 which includes accrued interest of \$1,499. This loan should have been paid off in April of 2008. This loan is delinquent back to July 7, 2002.

A loan balance exist in the amount of \$11,406 on a loan to an individual in prior years. No payments have been made on this account for several years. An allowance for uncollectible in the amount of \$11,406 was established on this account several years ago.

It is recommended the Town take steps to collect these past due accounts.

Response by Management

Management response to findings will be sent in a separate letter.

FINDING NO 08-06

Reconciling the detailed accounts receivable listing to the balances in the general ledger on a monthly basis.

The Town is not reconciling the detailed accounts receivable (Water billings) listing to the general ledger on a monthly basis. Good business practices would require the two amounts be reconciled monthly.

It is recommended this reconciliation be done monthly.

Response by management

Management response to findings will be sent in a separate letter.

**Town of Independence
Independence, Louisiana**

**Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008**

FINDING NO. 08-07

Police Evidence and Bonds

Police Evidence

When cash is received as evidence by the Police Department, this money is being kept at the Police Department rather than deposited in an agency fund.

Bonds

In speaking the office personnel, there is a delay in getting the bonds and monies collected on bonds turned into the office. In looking at two bonds, one issued in May and another issued in June, these bonds were not turned into office until September for recording and depositing the money.

It is recommended the cash received as evidence (unless marked or stained) be deposited in an agency fund, and better controls be established for bonds to insure they are turned into the office promptly for recording and depositing funds.

Response by Management

Management response to findings will be sent in a separate letter.

FINDING NO. 08-08

Sick Leave

In reviewing sick leave records, it was determined that one employee used 42 days sick leave of which 33 were consecutive days. All this leave was taken between April and June 2008. Another employee used 62 days sick leave between March 19 and June 25, 2008.

The employee leave policy states, sick leave is leave with pay granted to an employee suffering with a disability which prevents him from performing his usual duties and responsibilities, who require medical, dental or optical consultation or treatment. The Town has no records to determine if the criteria for sick leave in these cases were met.

**Town of Independence
Independence, Louisiana**

**Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008**

It is recommended the Town modify the sick leave policy to require documentation to insure that sick leave is properly used.

Response by Management

Management response to findings will be sent in a separate letter.

FINDING NO. 08-09

Offsite Backup of Computer Files

The Town has a system where the files are backed up daily, but the backup file is kept on site.

It is recommended the Town continue doing the daily back up, but perform an additional backup on a memory stick and keep off site.

Response by Management

Management response to findings will be sent in a separate letter.

FINDING NO. 08-10

Lack of Segregation of Duties

It was noted in the prior year audit and again in the current year audit , the size of the Town's accounting and administrative staff precludes certain internal control that would be preferred if the office staff were large enough to provide for adequate segregations of duties. This situation dictates that the Mayor and Board of Aldermen be actively involved in the financial affairs of the Town to provide oversight and review functions.

It is recommended that the Town's mayor and Board of Aldermen continue to be actively involved in the financial affairs of the Town.

Response by Management

Management response to findings will be sent in a separate letter.

**Town of Independence
Independence, Louisiana**

**Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008**

FINDING NO. 08-11

Traffic Citations

During court in November at City Hall it was observed that the police officers who had issued tickets were not present in court for the hearing. Instances were also noted where ticket books containing unissued tickets were not always being turned back into the Town upon termination/resignation of police officers. This practice makes it difficult to account for ticket sequences.

Procedures should be implemented to insure Police Officers appear for Court to represent the police department in regards to tickets issued before the judge. Procedures should also be established to be sure the ticket books with unissued tickets are always turned back into the Town upon the termination/resignation of a police officer.

Response by Management

Management response to findings will be sent in a separate letter.

FINDING NO. 08-12

**Summary of finding from the Louisiana Legislative Auditor
Report dated September 24, 2008, which I concur.**

A detail of these finding can be viewed at the Louisiana Legislative Auditor's web site.

Possible Duplicate Payments

Based on available timecards submitted and the schedules worked by an employee of the Town's Fire Department and The Independence Volunteer Fire Department, that this employee may have received payments from the Town and the IVFD for concurrent hours on each Wednesday from August 1, 2007 to December 31, 2007. this employee received wages from the Town in the amount \$2,207 and was paid \$1,980. from the IVFD for the same hours worked.

Town of Independence
Independence, Louisiana

Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008

It is recommended the Town:

1. Require all employees to record and certify hours worked.
2. Verify that employees are not paid by the Town and the IVFD for the same hours worked.
3. Maintain schedules and job descriptions for all Town positions.
4. Implement written policies and procedures relating to payroll processing, personnel, and attendance records.

Weak Payroll Practices

The Town does not maintain written policies or procedures relating to payroll, personnel, or timekeeping and has no records relating to work schedules or employee job descriptions. Although most employees submit handwritten or punched timecards to a supervisor, department heads are not required to account for their time. The only record maintained by the Town pertaining to a department head's work attendance is a manual leave log maintained by the Town clerk.

According to policy, full time employees are granted annual leave based on years of service. Although the Town's policy is not specific about leave accruals for annual leave, the Town Clerk indicated that the Town's current practice does not allow employees to carry unused annual leave forward into the next year. Sick leave is earned for each month of employment and may be accrued up to a maximum of 365 days. The Town Clerk maintains a leave log for each employee and records the leave taken by hourly employees in the log based on the employee's timecard. Because department heads do not complete timesheets, they must notify the Town Clerk of leave time taken. These employees simply call the Town Clerk and inform her of the amount and type of leave time being taken. The Clerk then records the time taken in the employee's leave log.

During the audit it was determined that an employee of the fire department failed to notify the Town Clerk of leave taken on two days in which the auditors confirmed that he was at home.

It is recommended the Town:

1. Require all employees to record and certify hours worked.
2. Make the proper adjustments to the employee's leave balances.
3. Review all employees leave balances for reasonableness and take appropriate corrective action if necessary.
4. Require all employees to submit standardized absences forms for all employee absences.

**Town of Independence
Independence, Louisiana**

**Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008**

5. Require that all leave is approved by the appropriate supervisor.
6. Maintain schedules and job descriptions for all Town positions; and
7. Implement written policies and procedures relating to payroll processing, personnel, and attendance records.

Response by Management

Management response to findings will be sent in a separate letter.

FINDING NO 08-13

Accounting Records

During the audit testing it was determined that numerous adjusting entries were required to correct the financial statements. Since no financial statements are being prepared from the accounting records, no method is established for reviewing the accounting records for accuracy.

It is recommend that the Town set up procedures for reviewing the accounting records monthly and make necessary adjusting entries. This would give the Town the ability to produce monthly financial statements for the Mayor and Board.

Response by Management

Management response to findings will be sent in a separate letter.

FINDING NO. 08-14

Innovative Housing

The Town transfers money to the general fund whenever funds are borrowed from the Innovative Housing Fund. The money is then disbursed to the borrower. In reviewing this account, on a recent loan, interest was being charged to the borrower before all the money was disbursed. This account also reflects an amount due to the General Fund of \$33,782. This would indicate that monies transferred to the General fund had not been used and then transferred back to the Innovative Housing Fund, therefore not giving credit on loans to borrowers.

Town of Independence
Independence, Louisiana

Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008

It is recommended

1. The disbursements for the loans be made from the Innovative Housing Fund, not the General Fund
2. Do not charge borrower interest on the loan until the funds are disbursed.
3. Do an analysis of the \$33,782 to determine its origin and make the appropriate adjustments.

Response by Management

Management response to findings will be sent in a separate letter.

FINDING NO. 08-15

Expenses for LMA Convention

A sample of expenses for the LMA conventions reflected questionable expenses for one attendee.

Hotel bill had charges for room service in the amount of \$129.98 with no detail and a lounge charge of \$36.70. On an Outback Steakhouse bill there were charges for Alcoholic beverages of \$22.42 and a bill from Copeland Restaurant with no detail for \$162.62.

The hotel bills reflected taxes paid, whereby the Town should be exempt from tax.

It is recommended that the Town adopt a travel policy on what is allowable as reasonable expenses when on travel status. The town should require detailed bills for travel and make sure sales tax is not charged on the hotel bills.

Response by Management

Management response to Findings will be sent in a separate letter.

**Town of Independence
Independence, Louisiana**

**Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008**

FINDING NO. 08-16

Property Taxes

In looking at the property taxes collected each year, it was determined that each year there are several thousand dollars of taxes not being collected.

It is recommended that controls be put in place to follow up on those who are not paying their taxes. Procedures should be established to collect the past due accounts.

Response by Management

Management response to findings will be sent in a separate letter.

FINDING NO 08-17

Christmas Parade & Italian Festival Parade

In looking at some expenses for the Christmas parade and Italian Festival parade it appeared some of the expenses could be questionable. There were \$1,044.63 for throws for the Christmas Parade, and Candy in the amount of \$354.85 for the Italian Festival Parade. It was also noted on a picture of the float for the Christmas Parade there were political signs on the float.

It would appear the Town participating in these parades would help the image of the town. I believe the town needs to be sure these expense are justifiable in the use of taxpayer money. I believe the Town should document in the minutes the justification for using taxpayer monies for parades. I do not believe having political signs should be allowed on the town float.

Response by Management

Management response to findings will be sent in a separate letter.

**Town of Independence
Independence, Louisiana**

**Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008**

COMPLIANCE

FINDING NO. 08-18

Capital Assets

The Town does not have a complete list of capital assets owned, nor do they have a capitalization policy nor assets tagged for ownership and control purposes.

State law outlines compliance requirements relating to the record keeping of capital assets (R.S. 24:515(B))

It is recommended that the town inventory its capital assets, and this list should include the description of the asset, year of acquisition, method of acquisition, funding source, cost of estimated cost, salvage value, estimated useful life, and the functions that use the asset. The Town should also determine a threshold for capitalizing assets (ex. \$500 or \$1,000) and tag all capital assets owned by Town.

Response by Management

Management response to findings will be sent in a separate letter.

FINDING NO. 08-19

**Summary of finding from the Louisiana Legislative Auditor
Report dated September 24, 2008, which I concur.**

A detail of these finding can be viewed at the Louisiana Legislative Auditor's web site.

Town Vehicles

The Town provides vehicles to the police department, fire department, streets department, and water and sewer department. Expenses for the Town vehicles including insurance coverage, maintenance, and fuel are paid by the Town. During a review of vehicle usage, it was noted (1) the Town does not have a written policy on the use of Town vehicles and does not maintain any usage records; (2) former Mayor purchased fuel for his Town vehicle while on extended leave; and (3) the Town does not mark all its vehicles in compliance with state law.

**Town of Independence
Independence, Louisiana**

**Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008**

Lack of Vehicle Use Records

The Town has no written policies or procedures regarding the proper usage of Town vehicles, neither mileage logs nor fuel receipts document the business purpose of vehicle usage or fuel purchases. Fuel is generally purchased by employees on account at local area stores. When a fuel purchase is made on account, a voucher is signed by the purchaser and completed with the vehicle identity, purchase date, gallons purchased, and total dollar amount of the purchase. Neither the vehicle's mileage nor the business purpose of the charge is included on the voucher.

Questionable Fuel Purchases

The former mayor purchased fuel in the amount of \$303 on occasions where he was on leave. It would appear the use of the Town vehicle and the expenditures for fuel during this period were personal in nature and had no public benefit.

Vehicles Not Marked in Accordance with State Law

Louisiana law requires any vehicle belonging to the state or to any of its political subdivisions to bear a Louisiana license plate, a public license plate, and that each such vehicle also shall have inscribed, painted, decaled, or stenciled conspicuously thereon, the name of the agency. In addition, the attorney general has opined that magnetized decals do not meet the requirements set forth by Louisiana law of the demarcation of vehicles owned by public entities. During the review of vehicle usage, it was determined that three of the Town's vehicles, including the vehicle used by the former Mayor were not marked in accordance with state law.

It is recommended the Town adopt detailed policies and procedures for the use of Town vehicles to ensure that public vehicles are only used for public purposes. These policies and procedures should include:

1. Maintain vehicle usage logs.
2. Require employees to document the business purpose and vehicle mileage when purchasing fuel.
3. Clearly mark all vehicles in accordance with state law.
4. Seek reimbursement from the former Mayor for personal fuel purchases.

Response by Management

Management response to findings will be sent in a separate letter.

**Town of Independence
Independence, Louisiana**

**Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008**

FINDING NO. 08-20

**Summary of finding from the Louisiana Legislative Auditor
Report dated September 24, 2008, which I concur.**

A detail of these finding can be viewed at the Louisiana Legislative Auditor's web site.

Former Mayor failed to pay water deposit

According to Town policy, utility customers must have a permit issued by the Town to establish an electrical account with the local utility company. To obtain a permit, the customer must have paid all deposits and fees to the Town including a \$100 water deposit which is required to open an account with the Town for Water services. Once the deposit and fees have been paid, the Town will issue a permit and forward it to the utility company with a request to provide service to the property. In March 2008, the former Mayor instructed the Town Clerk to create a permit for a property his son was renting for which the \$100 water deposit fee had not been paid.

The Town Clerk indicated that the former Mayor called her on March 3, 2008, and demanded that she set up an electrical account for a property that his son was renting. The Town Clerk explained that she set up the account, filled out a permit, and faxed it to the electrical company. At the end of May 2008 after being questioned about the deposit, the former Mayor paid the deposit. Because the water deposit had not been paid and an account not set up until May 29, 2008, the Town did not bill the property for water service provided in March, April and May 2008. In addition, by instruction the Town Clerk to file a permit without paying the appropriate fees, the former Mayor may have violated Louisiana law.

It is recommended that all deposits and fees for Town services be paid by all users prior to the issuance and transmittal of permits to the utility company.

Response by Management

Management response to findings will be sent in a separate letter.

**Town of Independence
Independence, Louisiana**

**Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008**

FINDING NO. 08-21

Budget Message Omitted

The Town did not comply with RS39:1304C(1) giving a budget message with the proposed budget.

RS39:1304C(1) requires a budget message signed by the budget preparer which shall include a summary description of the proposed financial plan, policies and objectives, assumptions, budgeted basis, and a discussion of the most important features.

It is recommended the Town prepare the budget message according to law.

Response by Management

Management response to findings will be sent in a separate letter.

FINDING NO. 08-22

Land Sale

The Town sold 7.65 acres of land for \$157,000. This land was appraised for \$220,400. The Town may have violated Article VII, Section 13 of the Louisiana Constitution of 1974. The Town did not advertise the property for sale.

Accounting for Land Sale on Books

On the Government Wide Financial Statements, the cost of the land is not reflected to properly record the gain on the sale.

Article VII Section 14 of the Louisiana Constitution of 1974 mandates that, at a minimum, a public entity sells its surplus immovable property for fair value. Fair value is best achieved by public bid, after the minimum bid is established by appraisal. The appraisal is a professional estimate that attempts to determine the fair market value of the property. Fair market value means the price at which property would change hands between a willing buyer and a willing seller when neither party is under any compulsion to buy or sell and both parties have a reasonable knowledge of relevant facts. Once an appraisal is obtained the fair value of the property is best determined by a public offering which subjects the property to actual market conditions.

**Town of Independence
Independence, Louisiana**

**Schedule of Findings and Recommendations
As of and For the Year Ended June 30, 2008**

At the time the town received the land by donation, an estimated value of the land should have been reflected on the books and on the Town's fixed asset list.

Response by Management

Management response to findings will be sent in a separate letter.

Corrective Action Plan for Current Audit Findings

Town of Independence, Louisiana
Corrective Action Plan for Current Year Audit Findings
For the Year Ended June 30, 2008

Note: This schedule has been prepared by the management of the Town of Independence, Louisiana

Management will respond to findings on Pages 70-84 in a separate letter to the Legislative Auditor.

Summary Schedule of Prior Audit Findings

Town of Independence, Louisiana
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2008

Ref No	Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action/Partial Corrective Action Taken
Section I - Internal Control and Compliance Material to the Financial Statements:				
<u>Internal Control</u>				
07-01		Lack of Segregation of Duties	Not resolved	
07-02		Fraud-FEMA Grant	Resolved	
07-03		Disconnect Policy-Utility Fund	Not resolved See finding 08-03	
07-04		Traffic Citations	Partial See finding 08-11	
Compliance		None		

Town of Independence
Response to 2007-08 audit findings

Finding #08-01: The town is in the process of compiling a procedure manual and it should be completed and adopted shortly.

Finding #08-02: Town is in the process of locating a sample ethics policy to adopt.

Finding #08-03: The town being under new administration has recently introduced a new ordinance which will help control past due amounts on utility bills, which would include penalty if you are a repeat offender of shut offs.

Finding #08-04: Financial Statements were recently setup in the accounting program which these reports will then be presented to the Board on a monthly basis.

Finding #08-05: On the Historical District loan in the amount of \$17,853.00 which was past due, this loan was recently re-done and the owner stated that they will get on a regular payment schedule. The one in the amount of \$11,406.00 is a very old loan and it will be investigated.

Finding #08-06: The town will begin to reconcile the accounts receivable listing to the general ledger. This will be done on a monthly basis.

Finding #08-07: After a discussion with the Police Chief, Bonds will be submitted to city hall in a timely manner.

Finding #08-08: In regards to sick leave, the town will require a doctors excuse for any absense more than one day. After the second day off, the employee will have to return to work with a doctors excuse.

Finding #08-09: The town will find an outside source to back up our records.

Finding #08-10: The Town will continue to involve the Board on all financial affairs of the Town.

Finding #08-11: Discussion between the mayor and the police chief have taken place and every attempt will be made to have the officers scheduled to work a regular shift on the date and time of court. Officers will be notified prior to court as a reminder to appear.

Finding #08-12: The newly appointed Fire Chief Dennis Crocker will create a schedule in advance and will be in complete control of scheduling town fire dept. employees and parish fire employees to eliminate the possiblites of duplicate payments. A copy of the schedules will be on file for review. All employees must punch in and out on time cards provided. Each position

held will have a job description entailing all duties required. An employee manual is being compiled to further detail all policies in place. All salaried employees now are responsible for providing town clerk a time card for each day worked. All days off, sick or vacation time have to be marked on the corresponding time card and approved by the proper department head. Forms are being compiled for any time off requested and must be approved by appropriate head.

Finding #08-13: Financial reports are now programmed in the accounting program which will enable the town clerk to provide to the Mayor and Board with monthly financial statements. This will give the town the ability to make any adjusting entries on a monthly basis as needed.

Finding #08-14: On any future Innovative Housing loans granted, the funds will be directly disbursed from this account, not transferred to the General Fund. The amount of the loan will entirely be issued upon closing of the loan. Also, the town will locate the records to clear up the \$33,782.00 to determine the origin and make appropriate adjustments.

Finding #08-15: The town is compiling along with its employee manual, a travel policy, which will go into detail about travel expenses, and prohibited charges for any employees traveling on town business.

Finding #08-16: The Town is compiling a report as far back as our programs allow, a report showing all past due property taxes. This is being reviewed for accuracy and will be published in the official journal in the near future.

Finding #08-17: This matter will be brought up in front of the Board of Aldermen at a regular town meeting, and an ordinance shall be set forth after this discussion to detail all appropriate expenses regarding parades.

Finding #08-18: All town property will be documented and logged as purchased. This log will be maintained by appropriate department heads.

Finding #08-19: A vehicle use policy shall be included in the before mentioned employee manual. It shall be detailed regarding vehicle use during absence from work, use for personal use, and all vehicles are now properly marked. All mileage records are now logged as gasoline is purchased through our new gas purchasing system. This is done with Lard Oil Company and the gas cards provided to each vehicle. Each employee is to use a personal pin number with each gas transaction and any misuse of this card or gasoline will be found easily. The board will seek legal advice on seeking reimbursement from former mayor for fuel purchases.

Finding #08-20: All electrical permits will require that deposits for water service will be strictly enforced. No exceptions to the rules will be made.

Finding #08-21: A budget message will be prepared as required by law.

Finding #08-22: Any future property that will be sold or purchased will be done so by obtaining a fair market value as per Article VII Section 14.